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# ***Daily Report***

## **China**

FBIS-CHI-88-088

Friday

6 May 1988

# Daily Report

## China

FBIS-CHI-88-088

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**General**

**Song Jian Leaves for Visit to Europe**  
*OW0505143288 Beijing XINHUA in English*  
1032 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA)—A Chinese Government scientific and technical delegation headed by Song Jian, state councillor and minister in charge of the State Science and Technology Commission, left here this morning to visit Romania, Bulgaria, Yugoslavia, Finland and Sweden.

The visit is aimed at broadening bilateral scientific and technical cooperation and exchanges between China and these countries.

The delegation was seen off at the airport by diplomatic envoys of Romania, Bulgaria, Yugoslavia and Belgium in Beijing.

**GATT Rules Japan Guilty of 'Dumping' Microchips**  
*OW0505121288 Beijing XINHUA in English*  
0602 GMT 5 May 88

[Text] Geneva, May 4 (XINHUA)—The General Agreement on Tariffs and Trade (GATT) council today approved an international panel report ruling that Japan was guilty of "dumping" semiconductors on foreign markets at artificially low prices.

According to the 1986 U.S.-Japan semiconductor trade pact, Japan was required to control prices of its semiconductors exported to the United States and third countries, including member states of the European Community (EC), and was required to open Japanese markets to other countries, particularly the United States.

The European Community charged Japanese with discrimination against markets outside the United States and appealed to the GATT in October 1986.

At the beginning of the council meeting, Japanese delegate Yoshio Hatano said his country accepts the report, pledging that Japan would take "appropriate measures as soon as possible" to comply with the GATT ruling if the report was approved at the general meeting.

In their speeches, delegates from Hong Kong and Australia urged the GATT council to supervise Japanese implementation of the report's recommendations, while the EC delegate complained that the panel report did not list enough of the Japanese instances of "dumping" on world markets.

The meeting also decided to set up expert panels on most of the 16 problems raised today by member states, including the import limitations placed by Japan on beef and citrus fruits from the United States and Australia.

**United States & Canada**

**U.S. Comments on Release of French Hostages**  
*OW0605082588 Beijing XINHUA in English*  
0109 GMT 6 May 88

[Text] Washington, May 5 (XINHUA)—U.S. Deputy Secretary of State John Whitehead will visit Algeria, Tunisia and Morocco from May 9 to 15 "to consult on bilateral and regional issues," the State Department said today.

Spokesman Charles Redman did not elaborate on Whitehead's itinerary but said that the discussions will cover the "hijacking" of American hostages in Lebanon.

Meanwhile, Redman called for the immediate and safe release of the remaining hostages held in Lebanon; and repeated U.S. policy of "no concessions" to hijackers.

Redman was speaking in response to non-confirmed information that the release of three French hostages in Beirut last night was a result of concessions France made to hijackers.

"We would be concerned by any sign that concessions were made," Redman said, "We don't believe that the taking of hostages should be rewarded. We believe that concessions encourage future kidnappings and could prolong the captivity of other hostages."

Nine Americans, three Britons and six others are still believed to be captive in Lebanon.

**Difficult for U.S. Trade Deficit To Drop**  
*OW0605055388 Beijing XINHUA in English*  
0100 GMT 6 May 88

[Text] Washington, May 5 (XINHUA)—Lower dollar has led to booming exports of American-made capital goods, but the damage done to the U.S. capital goods industry in the past few years was so severe that demands have to be filled by increasing imports.

As American economy keeps growing, businesses spend money in buying capital goods from foreign suppliers.

One reason is that there are not enough domestic-made products available. U.S. manufacturers of such products went out of business in great numbers during the years when the dollar was overvalued and imported goods made cheaper.

Another reason is that many U.S. businesses have chosen to buy foreign-made parts and components to reduce costs for the past few years. When the picture changed, as it does now, it takes time for them to discard these suppliers and find new ones at home.

A visit to the John Deere Co., the giant U.S. tractor manufacturer situated at the heart of America's farm belt, will give people a convincing story of the current status. Its hot-selling, Deere-nameplated small tractor has all the appearance of a traditional Deere product, but the reporter was told that it was manufactured in Japan.

The same is true of Boeing Company, the world's number one commercial aircraft maker. Until 1980, foreign parts and components made only less than 3 percent of a Boeing jet, now the rate is 28 percent, with foreign suppliers representing more than 10 countries.

When Boeing receives increasing orders, it imports more.

But nothing is more typical than the machine tool sector. As industry by industry switches to high performance digital tools, they cannot buy them from Japan and Federal Germany because there are few American makers to meet their demands.

As a result, orders for domestic-made machine tools decreased to just 2 billion dollars last year compared with 6 billion dollars 8 years ago, despite the fact that the U.S. economy has been growing for 5 years.

Statistics show that U.S. capital goods exports, which account for 40 percent of total U.S. exports, increased by 18 billion dollars during the past 15 months, but imports also rose by 16 billion dollars.

This explains why it is difficult for the U.S. trade deficit to come down. An added explanation that points to the future trend is that many foreign companies, especially the Japanese ones, have set up assembly or manufacturing plants in the U.S. to avoid trade barriers or currency fluctuations. These plants mostly bought their equipment and parts and components from home.

Analysts say the current boom in U.S. capital goods exports may help correct U.S. trade deficit eventually, but the degree of the help will be limited if compared with 1980 or before, when capital goods trade alone gave the U.S. a surplus of over 50 billion dollars a year.

**U.S. Urges Japan To Return to Farm Talks**  
*OW0605014088 Beijing XINHUA in English*  
*0011 GMT 6 May 88*

[Text] Washington, May 5 (XINHUA)—The Reagan administration has urged Japan to return to the negotiating table for a speedier solution to the bilateral dispute over beef and citrus imports.

U.S. Trade Representative Clayton Yeutter warned that the United States would be "harder to deal with" if an international panel being created by the General Agreement on Tariffs and Trade (GATT) rules in its favor six months later, said a "WALL STREET JOURNAL" report today.

At the GATT headquarters in Geneva yesterday, Japan announced that it would not block a U.S. request for an independent panel to hear U.S. charges that Japanese beef and citrus import quotas violate GATT rules.

The five-day talks between Yeutter and Japanese Agriculture Minister Takashi Sato collapsed in Washington Tuesday as the two sides failed to resolve their differences on the conditions for eliminating those quotas.

Yeutter's news briefing was the first time details of where the two governments stood were disclosed. He said both sides had softened their original positions.

The United States sells about 600 million dollars of beef and 100 million dollars of oranges, grapefruits and lemons to Japan every year. U.S. experts estimate that annual sales could double if the Japanese barriers were eliminated.

Under the quotas, agreed upon by the two governments four years ago, the United States can sell no more than 214,000 metric tons of beef and 126,000 tons of oranges to Japan each year.

**U.S. Concerned Over Situation in Poland**  
*OW0605054488 Beijing XINHUA in English*  
*0117 GMT 6 May 88*

[Text] Washington, May 5 (XINHUA)—The United States once again expressed its concern over the situation in Poland today and urging the Polish Government to begin "a productive dialogue" with the Polish people.

White House spokesman Marlin Fitzwater said that the United States "deplores the reported actions of last night and strongly urges the government of Poland to begin a productive dialogue with all segments of Polish society, including Solidarity."

Reports said that Polish police raided the Lenin Foundry in the southern city of Krakow last night, arresting some workers.

"The problems in Poland can only be resolved by the Poles themselves, and they can only be resolved with wisdom and foresight on the part of those in positions of authority," Fitzwater said.

Fitzwater's announcement on the development in Poland is the third of its kind delivered by the U.S. Administration within this week. Yesterday, President Ronald Reagan said in Chicago that "we hope and pray that the Polish Government will hear the voice of the Polish people."

Fitzwater said, "Any resort to repressive measures and particularly the use of force against peaceful demonstrators can only have the reverse effect."

Asked if the situation in Poland would have detrimental effects on the upcoming U.S.-Soviet summit in late May and early June, Fitzwater replied, "I don't think it will be an obstacle to the summit in terms of doing any significant damage or in obstructing the summit's progress."

**U.S. Businesswomen Face Three Problems**  
*OW0505184688 Beijing XINHUA in English*  
*0609 GMT 5 May 88*

[Text] New York, May 4 (XINHUA)—U.S. business women at the managerial level, although playing a bigger role and having more power in the economy, are facing three problems that make their career and life hard for them.

Most speakers at the conference board seminar on women's status in corporations expressed the view today that U.S. business women are facing the problems of work and life conflict, unequal rights between men and women, and sexual harassment.

According to latest reports, nearly 54 percent of American women, over half mothers of small children, currently work outside the home.

Many of them just cannot stand the double-edged pressure of adjusting to their working environment dominated by white males and of taking care of their children.

"Some of them cannot return to work after their maternity leave," said Felice Schwartz, president of Catalyst, a non-profit institution helping professional women tackling their problems.

"We should help establish a partnership between them and their bosses and try to make their return more productive" so that more of them will return to work, Schwartz added.

Women face discrimination in promotion and pay. Although the percentage of women in management and administrative jobs increased from 24 percent in 1976 to 37 percent in 1987, only 2 percent held senior management jobs, and those with post-graduate degrees earn only 69 percent of the salaries of their male peers.

Some of the speakers said that women are the same with men psychologically, intellectually and emotionally, able to make the same level of success, and therefore should enjoy the same rights in promotion and salaries.

According to a report released at the seminar, the percentage of women who have experienced sexual harassment from their superiors or co-workers range from 10 to over 50 in different companies.

A 1986 survey showed that 58 percent of the sexually harassed business women felt embarrassed, 50 percent felt angry, 25 percent felt ashamed and 8 percent were intimidated.

**Soviet Union**

**Gorbachev Meets DPRK Foreign Minister**  
*OW0505155088 Beijing XINHUA in English*  
*0540 GMT 5 May 88*

[Text] Moscow, May 4 (XINHUA)—Soviet leader Mikhail Gorbachev met today with Kim Yong-nam, foreign minister of the Democratic People's Republic of Korea, and received a letter from DPRK President Kim Il-song.

According to TASS, Kim Yong-nam, who arrived here April 28 on an official visit, pointed to the certain relaxation of the tense international situation, creating conditions conducive to solving pressing Asian problems.

The foreign minister said the withdrawal of all American troops and nuclear weapons from South Korea is the prerequisite for the elimination of the military threat to the Korean peninsula and the reunification of the divided country.

Gorbachev said the Soviet Union will continue its support for the DPRK's principle of reducing tension in the peninsula and finding a political settlement of problems there. This, he said, is a great contribution to the healthy development of the situation in the Asian region.

**Soviet Spokesman Criticizes Talks With Afghans**  
*OW0605000788 Beijing XINHUA in English*  
*1814 GMT 5 May 88*

[Text] Moscow, May 5 (XINHUA)—A Soviet spokesman today charged that the recent meeting between the ambassadors of Federal Germany, Denmark and Greece in Pakistan with Afghan resistance leaders was of "a clearly provocative character."

Gennadiy Gerasimov, head of the Information Directorate of the Soviet Foreign Ministry, accused at a news briefing here this afternoon that the meeting between the ambassadors and Gulbuddin Hikmatyar, chairman of the Seven-Party Alliance of the Afghan Mujahidin (Holy-war Fighters), "grew into an expression of encouragement and support for the policy of the forces which are opposed to the Geneva agreements."

Hikmatyar has declared that the Afghan resistance forces will not lay down their arms until all the Soviet troops are expelled and an Islamic government in the hands of Mujahidin replaces the puppet Najibullah regime in Kabul.

Hikmatyar has said that justice dictates that, with the Soviet troop withdrawal from Afghanistan, the Kabul regime, which is the product of military intervention, should be disbanded and the Afghan nation should be given its right of self-determination without any outside pressure.

However, Gerasimov described Hikmatyar as "the extremist leader" and accused some Western countries of supporting the Afghan resistance forces.



## Northeast Asia

### Japanese Foreign Secretary Uno Continues Visit

#### Meets Zhao Ziyang 4 May

HK0605060088 Beijing RENMIN RIBAO in Chinese  
5 May 88 p 1

[Dispatch by reporter Feng Chaoyang (7458 2600 7122):  
"Zhao Ziyang Meets Japanese Foreign Minister Uno"]

[Text] Beijing, 4 May—When meeting Japanese Foreign Minister Sosuke Uno in the Great Hall of the People this afternoon, Zhao Ziyang, general secretary of the CPC, said that we should do more solid things conducive to Sino-Japanese friendship and that only in this way can the two countries build long-term and good-neighborly and friendly relations. He hoped that both sides would work for this.

Uno expressed his agreement with this. He said: This year marks the 10th anniversary of the conclusion of the Japan-China Peace and Friendship Treaty. That Japan and China will be good friends forever is the purpose of the treaty and also the basic position of the Japanese Government. Regarding Sino-Japanese economic relations, Zhao Ziyang pointed out: Overall, great progress has been made in the economic, trade, and technological cooperation between the two countries. It is my hope that both sides will overcome inadequacies and strive for greater development in the days to come.

During the meeting, Zhao Ziyang briefed Uno on the development strategy for China's coastal areas. He said: The strategy is aimed at making China's coastal areas a pioneer in the reform and opening up to the outside world. When talking about Shenzhen, he said: Shenzhen was previously a very small place where industry was almost nonexistent, but now great changes have taken place there. I wish all China was like that, but I think this will take about 50 years.

Uno said that during his current trip to China he visited Shenzhen for the first time and that his visit really confirmed what he had heard about the city. Shenzhen has developed to the present extent in just 8 years. This shows that China's efforts in this regard have produced results.

### Yao Yilin Meets Japanese Trade Envoy Tamura

#### Tade Missions 'Welcome'

OW0605064988 Tokyo KYODO in English  
0205 GMT 06 May 88

[Text] Beijing, May 6 KYODO—China will welcome two Japanese missions to probe investment opportunities in China, Chinese Vice Premier Yao Yilin said Thursday to visiting Japanese International Trade and Industry Minister Hajime Tamura.

In response to Tamura's request that China permit two Japanese missions during the current fiscal year, which ends next March, to study the investment climate in China, Yao told Tamura that China will heartily welcome such missions, Japanese officials said.

The officials said Tamura urged the vice premier to improve investment opportunities in China, saying that investor interest in China is soaring in Japan.

One of the missions will be a group of large corporations to be recruited by the MITI, while the other will comprise small- to medium-sized firms to be organized by the Japan-China Association on Economy and Trade, the officials said.

Both parties, consisting of 30 to 40 representatives, will visit many areas of China to study investment opportunities in each area, they added.

#### Tamura on COCOM Restraints

OW0605035688 Tokyo KYODO in English  
0211 GMT 06 May 88

[Text] Beijing, May 6 KYODO—Japanese Minister of International Trade and Industry Hajime Tamura pledged Thursday to try to ease restrictive exports to China, currently regulated under COCOM (Coordinating Committee for Export to Communist Countries) rules, Japanese officials said.

Tamura, in a meeting with Chinese Vice Prime Minister Yao Yilin, said Japan will work closely with other COCOM member countries in an attempt to dismantle some of the export barriers imposed on China in line with the COCOM rules.

During his official visit to China, Tamura explained to the Chinese Vice Premier Japanese efforts to ease restrictions in conjunction with the trade laws by the Paris-based multinational group regulating exports to the communist bloc amid Toshiba Machine Co.'s illegal sales of sensitive exports to the Soviet Union.

Tamura said in the talks that the unfavorable lingering effects of the Toshiba incident over Japanese exports to China were being smoothly removed at present, saying the delay caused in monitoring applications for exports to China by the government has been almost restored to normal conditions, the officials said.

Regarding illegal exports by two Japanese trading firms of electronic measuring instruments to China, in violation of COCOM rules, he said the two firms were duly punished in accordance with Japanese laws, the officials said.

Yao told Tamura that substantial damage was caused by the Toshiba scandal and added that he hopes no similar incident would occur again in the future, and if it did, it would be vital to settle the issue in an appropriate manner.

Yao also voiced complaints that there were a series of offensive remarks made by Japanese officials toward China, and warned that such incidents might turn into a political issue that could have a negative impact on bilateral economic relations, the officials said.

**Further on Easing Restraints**

OW0605114188 Tokyo KYODO in English  
1115 GMT 6 May 88

[Text] Beijing, May 6 KYODO—Chinese Foreign Economic Relations and Trade Minister Zheng Tuobin Friday called for dismantling the 16-nation Coordinating Committee (COCOM) for multilateral export controls to communist countries.

Zheng made the request at a meeting with his Japanese counterpart Hajime Tamura.

Tamura quoted Zheng at a press conference following his talks with the Chinese minister as asking Japan to exert its strong influence to abolishing COCOM, although the United States has the biggest say in formulating COCOM's decisions.

COCOM groups members of the North Atlantic Treaty Organization (NATO), except Ireland, [as received] as well as Japan. The Paris-based body curbs the flow of Western high technology to the Communist Bloc to deter its use in upgrading the military capabilities of the communist nations.

Tamura said, "It is natural for China to seek (the abolition of COCOM), judging from the conditions of the country."

China has long complained about Japanese tightening of controls on China-bound high technology since Japan imposed stricter screening requirements on Communist Bloc-bound export applications following disclosures that Toshiba Machine Co. sold sensitive propeller-milling machines to Moscow in breach of COCOM rules.

In Thursday's meeting with Chinese Vice Prime Minister Yao Yilin, Tamura pledged to try to ease controls further on China-bound sophisticated exports currently regulated under COCOM rules.

**Commentary on Remarks by Japan's Okuno**

HK0505075788 Beijing GUANGMING RIBAO  
in Chinese 26 Apr 88 p 4

[Commentary by GUANGMING RIBAO correspondent to Tokyo Chen Zhijiang (7115 1807 3068): "What Does Okuno's Sophistry Imply?"]

[Text] After visiting the Yasukuni Shrine as a Cabinet member on 22 April, Seisuke Okuno, director of the Japanese National Land Agency, assailed a Chinese leader by name in front of some Japanese reporters and once again rejected the charge that Japan launched the aggressive war.

He argued that "Japan fought to defend its own security," and that "Japan was not an aggressor." After being quoted by newspapers, this nonsense has drawn attention abroad and evoked a reaction among Japanese opposition parties, many of which have commented on Okuno's remarks, pledging to take action holding Okuno and the Liberal Democratic Party responsible for the political consequences of this event. Yamaguchi, secretary general of the Japan Socialist Party, pointed out: "Okuno's remarks as a Cabinet member are absolutely intolerable." Toshimichi Okubo, secretary general of the Komeito, held that Okuno's remarks, deviating far from the basic principle guiding Japanese-Chinese friendly relations, must be censured by the Diet. The secretary general of the Democratic Socialist Party, agreeing that Okuno's remarks may hamper the development of Japanese-Chinese relations, planned to request Okuno give an explanation at the Diet.

On the morning of 25 April, when some opposition parties' Diet members affiliated to opposition parties, at meetings of the Land Issue Committee and other special committees of the Japanese House of Representatives, addressed inquiries to Okuno and asked him to make an introspection, Okuno repeated the same old tune that Japan was "justified in invading others" and more wantonly reproached Chinese leaders.

Answering inquiries by Shigeru Nakamura, a Socialist Party Diet member, Okuno argued by sophistry: "I have never said that Japan did not invade China and Korea. In fact I pointed out that they had previously been dominated by the white race. The Greater East Asia War resulted in the independence of Asia. I really regret that only Japan was labelled aggressor."

Chinese leader Deng Xiaoping pointed out that there are indeed a small number of Japanese who do not want to see development of friendship between China and Japan. Referring to Deng's criticism, Okuno noted with ulterior motives: "Deng Xiaoping has been criticizing Japan all the time. Should we Japanese citizens accept all his criticisms? Do you really think communist countries can be compared with Japan before the war, at which time whoever offended the Emperor faced imminent disaster?"

Okuno also took the opportunity to reproach the Japanese press. He was very unhappy with the Japanese media's coverage of his absurd remarks. He said in anger: "I have always distrusted some members of the Japanese press."

Although Okuno and his ilk are in the minority, his remarks and his quibble, as pointed out by Chairman Deng Xiaoping, have proved there are some people in Japan who do not want to see the development of friendship between China and Japan. They have interpreted the aggressive war launched by the Japanese militarists more than 40 years ago as a war aimed at "liberating" Asia from the white's rule, thus, in their eyes, the independence gained by Asian countries after

World War II seems to be a consequence of the "Greater East Asia War" that they launched. According to their logic, the Japanese militarists should be praised for their contributions rather than condemned for their crime. Noteworthy is that although only a small number of people hold this view, it is not just Okuno's personal view. Today, when Japan has emerged as an economic power, its cabinet still has a member stubbornly holding to this view. Is this not worth pondering?

**Gu Mu Attends Dalian Sino-Japanese Group Meeting**  
*SK0605025288 Shenyang Liaoning Provincial Service  
in Mandarin 0930 GMT 5 May 88*

[Text] The opening ceremony of the eighth annual meeting of the Sino-Japanese Society for the Exchange of Economic Knowledge held at Dalian's Zhangqidaoguesthouse at 1700 today. Attending the ceremony were (Oku Norigoro), Japanese adviser to the society, former foreign minister, and president of the Domestic and Foreign Policy Research Society; (Shimokawa Nakashi), chief representative, former deputy director of the National Land Agency, and chairman of the board of directors of the Comprehensive Research and Development Institute; Gu Mu, Chinese adviser to the society and vice chairman of the National CPPCC Committee; Ma Hong, chief representative of the Chinese side and director general of the Economic, Technological, and Social Development Research Center of the State Council; and all the members of the Chinese and Japanese delegations.

Governor of Liaoning Province Li Changchun and Dalian City Mayor Wei Fuhai attended the annual meeting as special representatives.

In his speech at the opening ceremony, Provincial Governor Li Changchun said that this annual meeting would play a positive role in further promoting friendship and cooperation between China and Japan, and in particular, in developing and constructing the open economic areas of the Liaodong peninsula.

**Cooperation Agreements Signed With Japanese Bank**  
*OW0505222688 Beijing XINHUA In English  
1502 GMT 5 May 88*

[Text] Beijing, May 5 (XINHUA)—Agreements on business cooperation between China Kanghua Development Corporation (CKDC) and Japan's Sanwa Bank Ltd. and between China Kanghua International Trust and Investment and the Japanese firm were signed here today.

Under the agreements, the Chinese and Japanese sides shall cooperate in introducing clients for such business as joint ventures, trade, trust and financial leasing, and in accommodating funds, exchanging and providing economic and financial information and exchanging and training of personnel.

Prior to the signing ceremony, Li Guixian, Chinese state councillor and governor of the People's Bank of China, met Kenji Kawakatsu, chairman and president of the Sanwa Bank, and his party.

Among those present at the meeting were Chairman Tang Ke, Vice Chairman Gao Yangwen and President Han Boping of the CKDC.

**Gu Mu Meets Bankers**  
*OW0505215288 Beijing XINHUA in English  
1456 GMT 5 May 88*

[Text] Beijing, May 5 (XINHUA)—Chen Muhua, vice chairman of China's National People's Congress Standing Committee and honorary chairman of the Board of Directors of the Bank of China, met Kenji Kawakatsu, chairman and president of the Sanwa Bank of Japan, and his party here today.

**Japan To Cooperate in Methanol Research**  
*OW0605103888 Tokyo KYODO in English  
0536 GMT 6 May 88*

[Text] Beijing, May 6 KYODO—Heiichi Hamaoka, chief of Japan's Agency of Natural Resources and Energy, said Friday Japan and China have agreed to cooperate in developing technology to extract methanol from coal as an alternative fuel source.

Hamaoka, who spoke at a press conference prior to his return to Tokyo from an official visit to China, said the plan was agreed on in talks with Chinese Energy Minister Huang Yicheng and State Science and Technology Commission Vice Chairman Zhu Lilan.

The joint methanol-extraction development project will be carried out by Japan's New Energy Development Organization (NEDO) and a newly established bureau of China's State Planning Commission, which will send experts to each other's countries this fall.

Japan is interested in methanol as a low-pollution alternative fuel for cars, while China is viewing methanol as a supplementary fuel for large numbers of cars in the future, the fuel demand for which is expected to outstrip the domestic supply of petroleum.

In order for methanol extracted from coal to become a practical fuel, experts from both countries will have to solve problems such as the corrosive effect of methanol on metals and rubber, and how to remove constituents such as formaldehyde and acetaldehyde.



**Japan To Comply With GATT Microchip Ruling**  
*OW0505161688 Beijing XINHUA in English*  
1124 GMT 5 May 88

[Text] Tokyo, May 5 (XINHUA)—The Japanese Government plans to quickly revise its microchip price-monitoring system to comply with a decision by the Geneva-based General Agreement on Tariffs and Trade (GATT), it was announced here today.

GATT recommended unanimously at its council meeting Wednesday that Japan should correct the monitoring system on the basis of an earlier ruling by a GATT dispute-settlement panel that it violates GATT rules.

Officials at the Ministry of International Trade and Industry said Japan wants to correct the system in such a way as to revise the administrative guidance steps to monitor chip export prices under a bilateral Japan-U.S. Chip trade agreement.

The ministry will discontinue a requirement for the industry to report export prices. It has been mandatory for prices to be notified to the ministry under the agreement, signed in September 1985.

The U.S. had claimed that the violation of GATT rules on the matter could be avoided if Japan would correct its current price-monitoring system, while the European Community (EC) insisted the monitoring system should be fundamentally changed, the officials added.

**Southeast Asia & Pacific**

**Qian Qichen Hosts Banquet for Burmese Minister**  
*OW0505154088 Beijing XINHUA in English*  
1453 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA)—“China is willing to cooperate with other countries, especially its neighbors, based on the five principles of peaceful co-existence,” China’s Foreign Minister Qian Qichen said at today’s banquet for Burmese Foreign Minister U Ye Gaung.

“Sino-Burmese cooperation is one of China’s long-standing policies,” Qian said, mentioning bilateral ties between China and Burma can be regarded as a model in country-to-country relations.

In recent years, China and Burma have witnessed a new push in political, economic and cultural cooperation, Qian said, and the two countries share identical views on many important international issues.

Qian also said he appreciates the Burmese Government’s independent, active foreign policy.

In reply, the Burmese foreign minister said the good neighborly relations fostered by the two countries’ top leaders have steadily developed and have been characterized by mutual understanding and cooperation.

The Burmese minister believes his visit will help stabilize and promote friendly relations between the two countries and holds all countries need to cooperate on the basis of mutual friendship and understanding to ensure an independent existence for the world’s developing countries and the world’s overall long-term development.

“Cooperation conducive to both China and Burma is encouraging,” the visitor said, adding he is sure the two countries will further expand cooperation in more fields on the basis of mutual trust and understanding.

The Burmese foreign minister, who arrived in Beijing yesterday, held talks with Qian earlier today and discussed bilateral relations and international issues of common concern.

**Li Peng Invited to Burma**  
*OW0605131288 Beijing XINHUA in English*  
1156 GMT 6 May 88

[Text] Beijing, May 6 (XINHUA)—Chinese Premier Li Peng this afternoon accepted with pleasure Burmese Prime Minister U Maung Maung Kha’s invitation to visit Burma.

The Burmese prime minister’s invitation was passed on to Li Peng by Burmese Foreign Minister U Ye Gaung when the Chinese leader met with him here this afternoon.

The actual time of the visit will be set through diplomatic channels.

U Ye Gaung also conveyed Burmese leaders’ best regards to the new and veteran Chinese leaders.

Li Peng told the Burmese guests that China’s targets for the coming five years put forward at the First Session of the Seventh National People’s Congress was worked out in accordance with the plan drawn up at the 13th National Congress of the Chinese Communist Party.

In a word, Li Peng said, China continues the policy of reforms and opening to the outside world and works to maintain steady economic development. However, Li Peng added, China still has many difficulties including those involving price and farm production, which require earnest efforts to solve.

U Ye Gaung said Burma is very much interested in the development of China.

**'Round-Up' on Burmese Foreign Relations**  
OW0505130388 Beijing XINHUA in English  
1026 GMT 4 May 88

["Round-Up: Burma Develops Friendly Relations With Neighbors" by Zhang Yunfei—XINHUA headline]

[Text] Rangoon, May 4 (XINHUA)—The Burmese Government, in implementing its independent and active foreign policy, has attached great importance to the promotion of friendly relations with other countries, especially with its neighbors.

The good-neighborly relations between Burma and its neighbors have been further strengthened in recent years through exchange of visits at high levels, wider cooperation in various fields and cultural exchanges.

Bangladesh President Hussain Mohammad Ershad paid a state visit to Burma last week as a return visit for his Burmese counterpart U San Yu's visit to Bangladesh in November of 1986.

A joint communique on Ershad's visit declared that the two countries will exchange trade delegations in the near future to expand and diversify their existing trade ties.

Burma and Bangladesh, sharing a common land boundary of 198 kilometers, have delimited the land boundary line through friendly negotiations. The maritime boundary delimitation negotiations between the two countries will be resumed as early as possible.

U San Yu spoke highly of these reciprocal exchange of visits between Burma and Bangladesh. He said he believes that Burma's friendship with all its neighbors "constructively contributes in no small measure to the realization of peace and stability in the region."

Burma's relations with its southeastern neighbor Thailand have been improved in recent years. An agreed minute on the demarcation of a fixed boundary in the Mae-Sai-Mae Houk River section of the Burma-Thai boundary was signed in Rangoon in January, 1987.

Later, in April, 1987, Burmese Prime Minister U Maung Maung Kha paid an official goodwill visit to Thailand.

Last November, U Ne Win, chairman of Burma Socialist Program Party, the only recognized political party in the country, made a special trip to Bangkok for presenting a jade image of Lord Buddha to the king of Thailand for his birthday.

Last month, a 150-member Thai Government delegation, led by Army Commander in Chief General Chawalit, paid a one-day visit to Burma. The delegation had talks with the Burmese side on security issue of border area, combating narcotics, border trade and economic cooperation.

Burma has also made great efforts to upgrade its relations with India.

Foreign ministers of the two countries exchanged visits following the signing of an agreement on maritime boundary delimitation here in December of 1986.

Indian Prime Minister Rajiv Gandhi paid a twenty-four-hour official visit to Burma last December.

Burma's relations with Laos are also good in spite of less frequent exchange of visits of senior officials between the two countries.

Burma and China, sharing a common land border line of over 2,000 kilometers, have maintained over a long period of time cordial and friendly ties or "a traditional 'paukphaw' (brotherly) friendship" as a Burmese friend put it. He said "exchange of visits between the two countries at high levels is more frequent than with the other neighbors."

Observers here said that the close ties between Burma and China have resulted in tangible benefit for the two countries.

Burmese Foreign Minister U Ye Gounng will leave here for Beijing today to pay a five-day goodwill visit to China. Observers predicted that U Ye Gounng's China tour will contribute to development of Sino-Burmese friendly relations.

**Round-Up of Thai Political Scene Before Elections**  
OW0505163488 Beijing XINHUA in English  
0955 GMT 5 May 88

["Round-up: Thai Political Parties Move Into Action for July Elections" by Ma Shengrong—XINHUA headline]

[Text] Bangkok, May 5 (XINHUA)—Realignment of political forces and behind-the-scene activities between political parties in Thailand are getting momentum a week after Prime Minister Prem Tinsulanon dissolved the House of Representatives of the National Assembly.

The unexpected House dissolution on April 29 threw many political parties, the opposition in particular, into confusion. However, hectic manoeuvres began as soon as the politicians recovered from the "shock."

The opposition parties quickly moved into action by announcing that they will "cooperate" in the general election scheduled on July 24 so as to block Gen. Prem from returning to power.

"Unless we cooperate, it will be very difficult to triumph over those who want Gen. Prem to come back," Buntong Thongsawat, leader of the opposition United Democratic Party, was quoted as saying earlier this week.

However, observers here doubt whether the opposition, which also includes the Prachakon Thai, Ruam Thai, the community action and other parties could "stand together when competition for the seats in the house begins next month."

Prachakon Thai party leader Samak Sunthorawet has indicated that cooperation would be impossible if other opposition parties field candidates in Bangkok, the stronghold of his party.

Meanwhile, the coalition parties of the current government are planning to form a loose alliance. It was reported that the four coalition parties—the Democrat, Social Action, Chart Thai and Rassadorn—have been making efforts to coordinate among themselves in the forthcoming poll.

However, the Democrat Party, the biggest partner in the present coalition, is reportedly facing a "confidence crisis" following the breakaway of a dissident "January 10 Group" with over 30 MP's. Local sources believed that the party will suffer seriously in the July election if it cannot woo the dissidents back in the next few weeks.

The Democrat Party founded 42 years ago is presently the oldest existing political party in Thailand. It captured 100 of the 347 seats in the House of Representatives in the election on July 27, 1986.

Disagreements were also reported among the Democrat and the Social Action MP's as to whether their parties should express support for Prem to return as prime minister of the new government.

Concern was expressed by some that public support for Prime Minister Prem could be a handicap during the election campaign.

The formation of a new party "Palang Dharma" (just force) by Bangkok Governor Chamlong Srimuang is also a noticeable factor in the local political scene. Chamlong won a landslide victory in the election for the capital's governor two years ago. He has been described by some as a "rising star" in Thai politics and is gaining popularity both in Bangkok and other provinces.

### Near East & South Asia

**Joint Boundary Inspection Begins With Nepal**  
OW0505175888 Beijing XINHUA in English  
0756 GMT 5 May 88

[Text] Zham, Tibet, May 5 (XINHUA)—Chinese and Nepalese boundary inspectors met at the Sino-Nepalese border today for the second joint inspection of the China-Nepal boundary.

Arrangements for the boundary inspection were made at the first session of the second China-Nepal Boundary Joint Inspection Committee held in Beijing last February.

Inspection of the 1,414-km-long China-Nepal boundary, at an average height of 6,000 meters above sea level, is expected to be completed by the end of this year.

**Pakistan, USSR Seek Improved Ties**  
OW0505132888 Beijing XINHUA in English  
1100 GMT 4 May 88

[Text] Islamabad, May 4 (XINHUA)—Pakistan and the Soviet Union have both expressed willingness to improve their relations which became sour because of the Afghan conflict.

Soviet Ambassador to Pakistan Abdul Rakhman Vezirov gave a big reception here last night to observe the 40th anniversary of the establishment of diplomatic relations between the two countries and President Ziaul Haq and some Cabinet ministers honored the occasion.

In his speech, Ziaul Stressed the importance of the April 14 Geneva accord under which the Soviets will start withdrawing their troops from Afghanistan on May 15 and half of their troops will leave that country within the first three months.

President Ziaul further said that the prospects of promoting economic and trade relations between USSR and Pakistan are very bright. He hoped that the volume of trade would be considerably increased in the years to come.

The two-way trade value between the two countries stood at 73 million U.S. dollars last year.

The Soviet ambassador echoed the president by saying that all out efforts would be made for promoting mutual cooperation and understanding between Pakistan and USSR.

**Medical Team Completes 2-Year Mission in Libya**  
OW0605014988 Beijing XINHUA in English  
0044 GMT 6 May 88

[Text] Tripoli, May 5 (XINHUA)—A nine-member Chinese medical team left here today for home after completion of their two-year mission in Libya.

The team coming from China's capital of Beijing was the second of its kind working in the central hospital of Tripoli from March 1986.

During the past two years, the Chinese doctors gave acupuncture treatment to 25,861 patients suffering from 60 kinds of disease.

Half of the patients went to the hospital to receive Chinese traditional acupuncture treatment to reduce weight and 78 percent of them succeeded.



Chinese orthopaedists have treated 25,012 patients in two years. Their successful operations for replantation of severed limbs were highly praised by Libyan people and mass media.

In accordance with an agreement signed between Chinese and Libyan Governments, China started to send medical teams to work for Libya from 1984. The third team already arrived here in March to replace the previous one.

### **Sub-Saharan Africa**

**Qian Qichen Meets Rwandan Foreign Minister**  
*OW0605123188 Beijing XINHUA in English*  
*1110 GMT 6 May 88*

[Text] Beijing, May 6 (XINHUA)—Chinese Foreign Minister Qian Qichen met and hosted a dinner for Francois Ngarukiyintwali, minister of foreign affairs and cooperation of Rwanda, here this afternoon.

The Rwandan minister is attending the ongoing second session of the Sino-Rwandan joint-committee on economic, technological and trade cooperation.

**Yao Yilin Meets Guinean Geological Delegation**  
*OW0605132788 Beijing XINHUA in English*  
*1155 GMT 6 May 88*

[Text] Beijing, May 6 (XINHUA)—Vice-Premier Yao Yilin met here this afternoon a Guinean delegation headed by Ousmane Sylla, minister of natural resources and environment.

Yao exchanged views with the guests on the development of bilateral cooperation in geology.

Zhu Xun, Chinese minister of geology and mineral resources, was present on the occasion.

**Mozambican President To Visit 16-19 May**  
*OW0505153588 Beijing XINHUA in English*  
*0546 GMT 5 May 88*

[Text] Maputo, May 4 (XINHUA)—Mozambican President Joaquim Chissano will visit the Peoples' Republic of China from 16 to 19 May at the invitation of Chinese President Yang Shangkun, the Mozambican Foreign Ministry announced here today. This will be Chissano's first official visit to Asia since he was elected Mozambican president in November 1986.

### **West Europe**

**PLA Chief of Staff Meets British Delegation**  
*OW0605083888 Beijing XINHUA in English*  
*0749 GMT 6 May 88*

[Text] Beijing, May 6 (XINHUA)—Chi Haotian, chief of General Staff of the Chinese People's Liberation Army, said here today that the Chinese Army would strengthen its friendly relations and technological cooperation with the British Army.

Speaking at a meeting this morning with Sir David Craig, chief of staff of the British Royal Air Force, Chi said that the current visit by British generals would contribute to the growth of friendly ties between the two armies.

Craig said he hoped that the British and Chinese armies would increase their exchanges.

Chi and Craig also discussed some international issues.

Sir David Craig arrived here May 5 as guest of Wang Hai, commander of the PLA Air Force.

During his stay in China, Sir David Craig is scheduled to tour Xian, Chengdu and Guangzhou and inspect Air Force training bases and aircraft industry.

**Qian Qichen Meets Austrian Secretary Klestil**  
*AU0505093288 Vienna WIENER ZEITUNG*  
*in German 5 May 88 p 2*

[Text] Beijing—On Wednesday Qian Qichen, the new PRC foreign minister, received Thomas Klestil, Austrian secretary general for foreign affairs, who is currently paying a visit to Beijing, for an extensive working talk.

The talk focused on a thorough exchange of opinions on the international situation. The interlocutors noted far-reaching agreement concerning the improvement of the atmosphere in international relations.

Foreign Minister Qian said that bilateral relations between Austria and the PRC are very good and can be further expanded.

**Council of Europe Urges Increased Trade**  
*OW0505201288 Beijing XINHUA in English*  
*0700 GMT 5 May 88*

[Text] Brussels, May 4 (XINHUA)—The Council of Europe asked European nations yesterday to let in more Chinese goods and to maintain a more balanced trade with China.

Representatives from 21 European parliaments meeting in Strasbourg, France also offered a resolution of support for China's re-entry to the General Agreement on Tariffs and Trade (GATT) organization.

The parliamentary assembly, also called the "Assembly of 21," said that China ranged second after Japan among Europe's trade partners in the Far East, and it said that to reinforce this trade, Europe should send more export credits, investments, joint ventures and technological transfers to China.

It also called for an enlargement of generalized preferential systems in favor of China's trade with Europe and asked China to maintain its "open policy" and improve its environment for foreign investments and overseas trade.

### East Europe

**Zhao Ziyang Receives GDR Delegation**  
*OW0605143088 Beijing XINHUA in English*  
1330 GMT 6 May 88

[Text] Beijing, May 6 (XINHUA)—Zhao Ziyang, general secretary of the Chinese Communist Party (CPC) Central Committee, expressed his congratulations on the establishment of friendly ties between Beijing and Berlin when he met with a delegation from the Berlin district committee of the Socialist Unity Party of Germany this afternoon.

The delegation, led by Guenter Schabowski, member of the Political Bureau of the German Party's Central Committee and the first secretary of the Berlin District Party Committee, began its China visit May 3 on the invitation of the CPC Central Committee.

Zhao also expressed the hope the two cities will develop friendly relations and cooperate in all fields.

"Beijing can learn from Berlin's experience in urban construction," Zhao said, adding the two cities can learn from each other because Beijing has also made some achievements in recent years.

Recalling his visit to the German Democratic Republic last June, Zhao said his visit was successful and he was deeply impressed by what he saw and heard.

Zhao said the German Democratic Republic has made great achievements in socialist construction under the leadership of the Socialist Unity Party of Germany.

The achievements scored by the German Democratic Republic in this regard are greater than those China has seen, Zhao said, adding China's socialist construction has experienced good and smooth periods, but has also faced some twists and turns.

In general, Zhao said, China has already made some great achievements, but is still far from where it should be, even though in recent ten years, China's economic construction has developed smoothly and big changes taken place in all fields.

"After making comparisons and learning from other countries, China has worked out a way to carry out socialist construction which is compatible with our conditions," Zhao said.

"Without these past twists and turns and lessons learned, we would not be able to put forward a series of new views on socialist construction," Zhao said.

Quoting the Chinese proverb "a fall into the pit, a gain in your wit," Zhao said the CPC Central Committee has become more clever than it was ten years ago.

"In the future, China can avoid big twists and turns and the country's economic construction can proceed more smoothly," he added.

Guenter Schabowski, who visited China 30 years ago, said he is so pleased to be here again, and mentioned the great changes which have taken place in Beijing.

Li Ximing, Political Bureau member of the CPC Central Committee and secretary of the Beijing Municipal Party Committee, Chen Xitong, state councillor and mayor of Beijing, Li Shuzheng, deputy head of the International Liaison Department of the CPC central committee, and Rolf Berthold, ambassador of the German Democratic Republic to China, all attended today's meeting.

**Qian Qichen Meets GDR State Secretary**  
*OW0605125288 Beijing XINHUA in English*  
1100 GMT 6 May 88

[Text] Beijing, May 6 (XINHUA)—Chinese Foreign Minister Qian Qichen met here this afternoon Herbert Krolikowski, state secretary and first deputy minister for foreign affairs of German Democratic Republic.

Krolikowski arrived here Tuesday for Sino-G.D.R. consultation at the deputy foreign minister level. Chinese Vice-Foreign Minister Zhou Nan held talks with him Tuesday afternoon.

**Polish Authorities Try To Break Strikes**  
*OW0505184388 Beijing XINHUA in English*  
0948 GMT 5 May 88

[Text] Warsaw, May 5 (XINHUA)—Polish authorities have suspended work at the Lenin Shipyard and have taken steps to force a return to work at the Lenin Steelworks.

The measures to end strikes at the two installations were broadcast by Warsaw Radio this morning.

According to a 7 a.m. broadcast, the director of the Lenin Shipyard in the northern port city of Gdansk declared a halt to the functioning of the shipyard. The radio also reported that the managers of the Lenin

Steelworks had "taken steps" this morning to ensure normal functioning of all workshops, but it did not specify what the steps were.

Thousands of workers at the steelworks in Nowa Huta, near the southern city of Krakow, went on strike on April 26 to demand substantial pay raises and the rehiring of four Solidarity activists fired several years ago. The continuing strike has cost the mill a loss of about 900 million zloty (2.25 million U.S. dollars) a day.

Czeslaw Tolwinski, director of the Lenin shipyard where the "occupation strike" began Monday, said that since the shipyard can no longer perform its normal duties, its activities will be suspended. He asked workers to stay away from the shipyard "until further notice," adding that those who did not take part in the strike are now on paid leave.

Striking workers said yesterday that they had taken over the shipyard.

#### Analysis of Strike Problems

OW0505143088 Beijing XINHUA in English  
0615 GMT 5 May 88

["News Analysis: Polish Strikes—A Hard Nut To Crack" by Wen Youren—XINHUA headline]

[Text] Warsaw, May 4 (XINHUA)—Recent strikes by transport, steel and shipyard workers in Poland for higher wages are proving to be a knotty problem in the Polish situation.

The strikes started on April 25 when 300 transport workers in Bydgoszcz and a nearby town walked off their jobs to press for higher wages. The walkouts ended within 12 hours after authorities granted the workers a 63 percent pay raise.

However, thousands of steel workers in the Lenin Steel Plant near the southern city of Krakow went on strike the next day, also demanding higher wages. The wave of labor unrest spread to other factories, including the Lenin Shipyard in the northern city of Gdansk on Monday. The Krakow and Gdansk strikes are continuing.

Increasing consumer prices this year are the direct cause behind the labor walkouts. The indirect cause seems to be that Poland's economic reforms have not achieved much success.

Poland set out on its reform program in 1982 and the country's economy recovered quickly, providing considerably more market supplies. But in the last few years, economic growth has slowed with increased inflation.

The authorities believe that this has resulted from economic sanctions imposed on Poland by the West, the heavy burden of foreign debt left over from the 1970's and incomplete reform measures.

The government planned to reform the country's pricing system over the next three years with a 36-percent rise in prices this year. But some enterprises, by taking advantage of decision-making powers granted by the authorities, raised prices by a larger margin, leading to a 42-percent price hikes in the first quarter of this year. Although wages have gone up by an average 45 percent, people still complain, especially those whose wage increase did not keep pace with the rising prices.

After the strikes broke out, the anti-government activists incited the strikers to press for more demands, including 50-percent wage raises. Flags of the outlawed Solidarity trade union were flown in some places.

The government's attitude is that first, the power to decide wages has been transferred to lower levels. It is up to enterprises and local governments to decide how best to meet the wage raise demands according to their economic capability. The government is now unable to give any funds to enterprises that assume sole responsibility for their profits and losses.

Secondly, the government has said that no concessions should be made to any unreasonable demand. The government has explained to the citizenry that to increase wages by 50 percent will worsen inflation, which will put a premature end to the reforms.

The government also has said it will step in to end strikes if they violate law. For instance, the government put down the strike in the Stalowa Wola steel plant of the defense industry according to law and did not recognize the strike committee in the Lenin Steel Plant.

Finally, the government has asked for special reform powers. The Polish Council of Ministers on Saturday consented to a draft proposal to grant these special powers to the government and move the country out of its current slump. These are aimed at resisting excessive increases in prices and wages, accelerating economic balance and ensuring the implementation of the economic reforms in the second phase.

Meanwhile, the government has exposed the anti-government activists' support for the strikes as "trying to change the existing social system."

How to calm the continuing strike situation is still a hard nut to crack. Meeting the strikers' demands will lead to a vicious circle. But without pay raises, the strikers will not give up. Putting down all the strikes by force will only evoke stronger protests.

Most Poles hope that the strike problem can be solved so as not to damage the reform process or Poland's slow, but hard-won, economic development.



## Latin America & Caribbean

### Tian Jiyun Continues Visit to Mexico

#### Meets Former President

OW0505173988 Beijing XINHUA in English  
0728 GMT 5 May 88

[Text] Mexico city, May 4 (XINHUA)—Chinese Vice Premier Tian Jiyun had lunch here today with former Mexican President Luis Echeverria Alvarez, who established Mexico's diplomatic relations with china.

The two dined at Echeverria's house in the south of Mexico City.

Tian and Echeverria held a cordial conversation during the lunch offered by Echeverria in honor of Tian and his entourage.

During Echeverria's term as president from 1970 to 1976, Mexico established diplomatic relations with China on February 14, 1972. And in April 1973, President Echeverria visited China and thus began a new stage of bilateral relations.

This morning, Tian met here with Mexican Vice Commerce Minister Luis Bravo Alguilera and discussed Sino-Mexican trade.

This afternoon, Tian toured the national autonomous university of Mexico.

#### More Trade Called For

OW0505175088 Beijing XINHUA in English  
0723 GMT 5 May 88

[Text] Mexico City, May 4 (XINHUA)—Although trade between China and Mexico has increased in the last few years, it still is far from reaching its potential, Mexican business leader Enrique Madero Bracho said here today.

Madero Bracho, the president of the Mexican Businessmen Council for International Affairs, made his comments during a breakfast at the Hotel Camino Real in honor of Chinese Vice Premier Tian Jiyun, who arrived here Sunday on a state visit.

"It is fundamental that current trade between both countries should be increased," Madero Bracho said.

"In the same way, we must make known through a joint information system the needs of both nations for import products," he said.

Madero Bracho also noted China's growing importance in the world. "The transcendence of the emergence of China as a great industrial nation during the first part of the 21st century should seriously be taken into account by the government and by Mexican companies to establish strategies that allow them to maintain and increase their international competitiveness, observing with attention the socioeconomic tendencies of that important country."

After Madero Bracho's and Tian's speeches, the two discussed ways to increase trade and other economic relations between China and Mexico.

Some other business representatives present at the meeting made concrete proposals, such as using barter and compensated trade for bilateral commerce.

Vice Premier Tian said that the two countries should implement already signed accords, and find new areas of economic cooperation and trade.

#### Brazilian Foreign Minister Visits Xian

HK0505105388 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 3 May 88

[Text] A 12-member delegation of the Federal Republic of Brazil headed by its Foreign Minister Roberto Costa de Abreu Sodre visited Xian on 2 and 3 May. On the evening of 2 May, Vice Governor of Shaanxi Province Zhang Bin met Foreign Minister Sodre and his party at the Tanghua Guest House.

During their stay in Xian, the Brazilian guests visited some scenic spots and historical sites, including the Museum of Qin Shi Huang's Buried Sculpture Legion, Shaanxi Provincial Museum, and the Greater Wild Goose Pagoda.

**Li Peng Names State Council Officials**  
*OW0505210888 Beijing XINHUA Domestic Service  
in Chinese 1512 GMT 4 May 88*

[Text] Beijing, 4 May (XINHUA) — Premier Li Peng appointed the following state functionaries on 3 May:

Deputy secretaries general of the State Council: Bai Meiqing, Li Changan, Yan Ying, Wang Shuming, Liu Zhongde, He Chunlin, Chang Jie, Li Shizhong [2621 0113 1813], Xi Dehua [1598 1795 5478], and An Chengxin.

Vice ministers of foreign affairs: Zhou Nan, Liu Shuqing, Zhu Qizhen, and Qi Huaiyuan.

Vice ministers of the State Planning Commission: Fang Weizhong, Gan Ziyu, Ye Qing, Zhang Shou, Hao Jianxiu (female), Liu Zhongyi, Sheng Shuren, and Chen Guangjian [7115 0342 0256].

Vice ministers of the State Commission for Restructuring the Economy: He Guanghui, Liu Hongru (concurrently), Zhang Yanning, and Gao Shangquan.

Vice ministers of the State Education Commission: He Dongchang, Teng Teng, Zhu Kaixuan, Liu Bin, Zou Shiyan, and Wang Mingda.

Vice ministers of the State Science and Technology Commission: Ruan Chongwu, Jiang Minkuan, Li Xue, Guo Shuyan, and Zhu Lilan (female).

Vice ministers of the Commission of Science, Technology and Industry for National Defense: Shen Rongjun, Xie Guang, and Huai Guomo.

Vice ministers of the State Nationalities Affairs Commission: Wu Jinghua (concurrently), Zhao Yannian, Jiang Jiafu, Zhuo Jia, Chen Xin (female), Zhang Zhu, and Bao Yushan [0545 3769 1427].

Vice ministers of public security: Gu Linfang, Tao Siju, Yu Lei, and Hu Zhiguang.

Vice ministers of supervision: Liu Mingjiu, Xu Qing, He Yong, and Feng Tiyun.

Vice ministers of civil affairs: Zhang Dejiang, Zou Entong, and Fan Baojun [5400 1405 0193].

Vice ministers of justice: Jin Jian, and Lu Jian.

Vice ministers of finance: Chi Haibin, Liu Zhongli, and Xiang Huaicheng.

Vice ministers of personnel: Cheng Lianchang, Zhang Zhijian [1728 1807 1017], and Zhang Hanfu [1728 3352 1133].

Vice ministers of labor: Yan Zhongqin, and Li Boyong.

Vice ministers of geology and mineral resources: Xia Guozhi, Zhang Wenju, Zhang Hongren, and Fang Zhangshun.

Vice ministers of construction: Ye Rutang, Gan Zhijian, and Zhou Ganzhi.

Vice ministers of energy resources: Shi Dazhen, Hu Fuguo, and Lu Youmei.

Vice ministers of railways: Zhang Xintai, Sun Yongfu, and Luo Yunguang.

Vice ministers of communications: Wang Zhanyi, Zheng Guangdi (female), and Lin Zuyi.

Vice ministers of Machine-Building and Electronics Industry: He Guangyuan, Zhang Xuedong, Tang Zhongwen, Zeng Peiyan, and Zhao Mingsheng [6392 2494 3932].

Vice ministers of Aeronautics and Astronautics Industry: Jiang Xiesheng, Liu Jiyan, He Wenzhi, and Sun Jiadong.

Vice ministers of Metallurgical Industry: Li Ming, Wang Rulin, and Xu Daquan.

Vice ministers of Chemical Industry: Lin Yincui, Tan Zhuzhou, Wang Min (female), and Pan Liansheng.

Vice ministers of Light Industry: Kang Zhonglun, Chen Shineng, Yu Zhen, and Xiao Yongding [5135 3057 1363].

Vice ministers of Textile Industry: Ji Guobiao, Du Yuzhou, and Wang Zengjing.

Vice ministers of posts and telecommunications: Zhu Gaofeng, Song Zhiyuan, and Wu Jichuan.

Vice ministers of water resources: Lou Puli [1236 3302 4409], and Niu Maosheng [6873 5399 3932].

Vice ministers of agriculture: Xiang Chongyang, Chen Yaobang, and Liu Jiang.

Vice minister of forestry: Liu Guangyun, Xu Youfang, and Shen Maocheng [3088 5399 2052].

Vice ministers of commerce: Pan Yao, He Jihai, Zhang Shiyao [1728 0013 1031], and Fu Limin [0265 4539 3046].

Vice ministers of foreign economic relations and trade: Li Lanqing, Lu Xuejian, Wang Pinqing, and Shen Jueren.

Vice ministers of materials: Ling Yuxun, Ding Xiaonong, and Lu Xusheng.

Vice ministers of culture: Gao Zhanxiang, Wang Jifu, Liu Deyou, and Ying Ruocheng.

Vice ministers of Radio, Film and Television: Nie Dajiang, Ma Qingxiong, Xu Chonghua, Chen Haosu, and Wang Feng [3769 2800].

Vice ministers of public health: He Jiesheng (female), Gu Yingqi, and Hu Ximing.

Vice ministers of the State Physical Culture and Sports Commission: He Zhenliang, Yuan Weimin, Xu Yinsheng, and Zhang Caizhen (female).

Vice ministers of the State Family Planning Commission: Chang Chongxuan, and Peng Yu (female).

Vice governors of the People's Bank of China: Liu Hongru, Qiu Qing (female), Tong Zengyin, Zhou Zhengqing, and Chen Yuan [7115 0337].

Deputy auditors general of the Auditing Administration: Cui Jianmin, Luo Jinxin, Li Jinhua, and Zheng Li [6774 0500] (female).

Director of the State Statistical Bureau: Zhang Sai.

Director of the State Administration of Commodity Prices: Cheng Zhiping.

Director of the State Pharmaceutical Administration: Qi Moujia.

Director of the PRC General Administration of Customs: Dai Jie.

Director of the State Technology Supervision Administration: Xu Zhijian.

Director of the PRC State Administration for Industry and Commerce: Ren Zhonglin.

Director of the State Environmental Protection Bureau: Qu Geping.

Director of the Civil Aviation Administration of China: Hu Yizhou.

Director of the PRC National Tourism Administration: Liu Yi [0491 3015].

Director of the National Bureau of Oceanography: Yan Hongmu.

Director of the National Meteorological Bureau: Zou Jingmeng.

Director of the State Seismological Bureau: An Qiyan.

Director of the State Land Administration: Wang Xianjin.

Director of the PRC Press and Publications Administration: Du Daozheng.

Director of the State Archives Bureau: Han Yuhu.

Director of the Bureau of Religious Affairs under the State Council: Ren Wuzhi.

Director of the Counsellors' Office under the State Council: Wu Qingtong.

Director of the Bureau of Government Offices Administration under the State Council: Chang Jie (concurrently)

Director of the Bureau of Legislative Affairs under the State Council: Sun Wanzhong.

Director of the Office of Overseas Chinese Affairs under the State Council: Liao Hui; deputy directors: Lin Shuilong, Li Xinghao, and Chen Baigao.

Director of the Hong Kong and Macao Affairs Office under the State Council: Ji Pengfei; deputy directors: Li Hou, and Lu Ping.

Director of the Special Economic Zones Office under the State Council: He Chunlin (concurrently).

Director of the State Administration of Taxation: Jin Xin.

Director of the State Patent Office: Jiang Minkuan (concurrently).

Director of the State Administration of the Traditional Chinese Medicine: Hu Ximing (concurrently).

Director of the State Language Work Committee: Chen Yuan.

Director of the State Tobacco Monopoly Bureau: Jiang Ming.

**Song Defu Issues Work Report at CYL Congress**  
*OW0605060888 Beijing XINHUA Domestic Service*  
*in Chinese 0554 GMT 5 May 88*

[Text] Beijing, 5 May (XINHUA) — In his work report at the opening ceremony of the 12th CYL Congress yesterday, Song Defu, first secretary of the Secretariat of the 11th CYL Central Committee, pointed out: Since the 3d Plenary Session of the 11th CPC Central Committee, our country's youth movement has developed historically and blazed new trails that are significant to our times.

Song Defu said: The vigorous development of reform and opening have created a favorable social environment for the sound growth of young people and provided good opportunities for them to become capable persons, gain employment, put their abilities to good use, and fulfill their aspirations. Since the 3d Plenary Session of the 11th Central Committee some 70 million jobs have been created, 80 million people of the rural labor force have entered or partially entered nonagricultural sectors,



more than 4 million young people have had the opportunities to receive general higher education, and tens of thousands of students have gone abroad to pursue advanced study. Our young people deeply realize that reform and opening are the road the Chinese nation must follow in order to take off. Young people who benefit from reform have more reason to work for it. Plunging themselves into reform has gradually become a conscious act on their part. A large number of young entrepreneurs displaying the valuable dashing spirit of reform have emerged from city, town, and village enterprises. Millions of rural youths worked actively to develop the commodity economy and promoted the commercialization, specialization, and modernization of China's traditional agriculture. Young theoretical workers contributed to the development of reform by breaking through the "left" ideological fetters and boldly exploring new issues appearing in practice. People are glad that our youths have become an active force in promoting reform and opening.

He said: The great work force of 270 million young people active in the first line of production have been working with a pioneering spirit, vying with each other to become New Long March pacesetters, displaying the fine qualities of a new generation of builders. Focusing on raising enterprises' economic benefits, young people in industry and communication have extensively carried out the "five-small" activities [small inventions and other types of creative activities popular among young people], producing 1.3 million achievements. They undertook more than 2,300 engineering works in key construction projects. Their achievements in growing grass and trees and carrying out key greening projects are impressive. Over a million college students eagerly participated in social practice in an effort to better understand the affairs of the state and the people. Their action has pushed forward the integration of school education and economic construction. According to incomplete statistics, college students performed over 100,000 scientific and technological services through their social participation, of which nearly 100 were performed for the first time in our country. Their activities produced more than 30 million yuan of economic benefits. Young people on the cultural, educational, scientific research, financial, trade, public health, sports, and procuratorial and judicial fronts worked assiduously to acquire specialized knowledge and skills and to perform well in their respective posts. Young commanders and fighters of the PLA and the Armed Police Force defended the border with their blood, handled emergencies and disasters, provided relief, participated in the four modernizations, and joined other people in building spiritual civilization, winning the praise of all quarters of society. All this shows that our young people are a shock force in the four modernizations and in defending the motherland.

He said: In the new environment of reform and the opening, large numbers of young people are actively involved in various activities such as reading books, lecturing, making resolutions to achieve their goals,

learning from their predecessors, and disseminating legal knowledge. They are vying with each other to become a new generation of people of ideals, morality, knowledge, and physical strength and to dedicate their youth and efforts to building spiritual civilization. Active in urban and rural areas are 3.5 million young service teams, farming assistance teams, Learn-From-Lei Feng groups, and groups contracted to help a single household in all respects. Large numbers of young people whipped up a prolonged surge to learn and become useful, thus raising their scientific and cultural standards. All types of advanced young models and heroic collectives keep emerging. This vividly reflects that our young people are a vanguard force initiating a new social mood and building socialist spiritual civilization.

Song Defu said: CYL work has had new development under the circumstances of reform and opening. By exploring new ways of self-development within the general situation of reform, CYL organizations have made progress in many respects in reforming themselves and organizational building at the grassroots level has to some extent strengthened. According to statistics, our membership has increased to 56 million and the number of CYL schools in the nation has increased to 52. There are more than 70 newspapers and periodicals and 26 publishing companies for young people.

In his report, Song Defu also pointed out the problems for youths and CYL work. He said: All kinds of contradictions have appeared in society in this historical period, when the old system is being replaced by the new. Young people's thinking will inevitably become diversified and complicated as a result. The weakness common among young people is their lack of experience in both political and social life. Some young people are sometimes unable to accurately grasp the two basic elements and, under the influence of the bourgeois liberalization ideological trend, tend to become one-sided in their thinking and confused about the relations between centralization, freedom, and discipline. There are also some who are not mentally prepared for the protracted, arduous nature of reform and opening to the outside world. The CYL has drawbacks in its structure. Leading organs at various levels tend to become administrative bodies. They have failed to represent and safeguard young people's concrete interests well and have divorced themselves from young people to a certain extent. CYL organizations lack strong appeal and fighting strength. A considerable number of grassroots organs lack vitality, and some are even in such a state that work has actually stopped. A number of CYL members and cadres failed to fully play their model role.

Song Defu urged all concerned quarters of society to pay attention and show concern for youth work, conscientiously help resolve problems encountered in this work, and help support it.

**CYL To Elect New Central Committee Members**  
*OW0605064288 Beijing XINHUA Domestic Service  
in Chinese 0804 GMT 5 May 88*

[Text] Beijing, 5 May (XINHUA) — The delegates attending the 12th CYL National Congress began to discuss a preliminary name list of candidates for members and alternate members of the 12th CYL Central Committee this afternoon.

It is reported that in accordance with the principle of smaller size and higher efficiency, the total membership of the 12th CYL Central Committee will be one fourth smaller than that of the 11th CYL Central Committee, its standing committee will have 25 members, compared with 19 members of the 11th CYL Central Committee Standing Committee, and the new central Secretariat will have 9 to 11 members.

According to the electoral procedures adopted by the congress, the elections will be by secret ballot and with more candidates than posts. There are 248 candidates listed for the posts of members and alternate members of the 12th CYL Central Committee. There are over 5 percent more Central Committee member candidates than posts, and at least 15 percent more alternate member candidates than posts.

The delegates discussed the congratulatory message Comrade Hu Qili delivered on behalf of the CPC Central Committee at the opening ceremony and Song Defu's work report at small group meetings this morning.

**Article Urges Improving People's Congress System**  
*HK0505154088 Shanghai SHIJIE JINGJI  
DAOBAO in Chinese 4 Apr 88 p 13*

[Article by Zhao Xiangyang (6392 0686 7122) of the Law Department of the Chinese People's University: "The System of the People's Congresses Should Be Improved Continuously Amid Reforms"]

[Text] The report submitted to the 13th CPC national congress points out: "The system of people's congresses is the fundamental system of government in China. In recent years the work of people's congresses at various levels has progressed a great deal. In the years ahead, they and their standing committees should continue to improve the way they function and to strengthen their work of legislation and supervision through law. They must maintain closer contact with the people to be better able to represent them and be supervised by them." The system of people's congresses is an important aspect of the building of democratic politics in China. The report adds: "The essence of socialist democracy is that the people are the masters of the country, genuinely enjoying all citizens' rights and the power of administering the state, enterprises, and institutions." In view of the above, I submit the following proposals on strengthening the system of the people's congresses.

**1. Reforming the Representative System of the People's Congresses [subhead]**

1. Implementing a professional system of people's deputies. Administrative organs, judicial organs and the party, youth leagues, trade union and women's organizations at all levels throughout the country have certain special departments under them which are wholly or partly composed of full-time staff members with special duties. However, our people's deputies carry out their work on a part-time basis. It is impossible for us to guarantee that our people's deputies will have sufficient time and energy to acquaint themselves with the needs of the people, to investigate the implementation of the resolutions of people's congresses, to supervise the work of the state organs, and to carry out their study of legal and vocational knowledge aimed at enhancing their own quality and working capability. The implementation of a professional system will provide minimum conditions for our people's deputies to carry out their work constantly and effectively, so that they can promptly understand and handle such numerous and complicated matters. This will also enable them to concentrate their attention on the building of the people's congresses themselves. In modern society, we have an increasingly elaborate division of labor. Politics as a vocation has a history of more than 1,000 years. In socialist countries politics has more and more become a business of the people, rather than the "hereditary domain" of a tiny number of persons. In our contingent of statesmen, there should be many people who are active in the arena of people's congresses.

The theoretical basis for the spare-time system of the people's deputies is: If a people's deputy is not released from production or regular work, this will ensure that his link with the people will not be severed, and that he will be constantly under the supervision of the people. This is a specious argument. First, the election of the people's deputies is based on electoral district. In other words, a people's deputy does not represent the unit in which he works. On the contrary, he is a representative of the entire electoral district. The ties of a people's deputy with the people are mainly reflected in his ties with the voters of the entire electoral district. His links with the masses are not confined to the unit in which he works. Furthermore, the supervision of the people over a people's deputy does not mean the supervision of his work in his unit (this kind of supervision is one imposed by various units on all working personnel based on production quotas and discipline). The supervision is imposed on his work in the people's congress to ensure that he truly reflects the will of the people.

2. The number of people's deputies should be reduced. Facts have proved that the working efficiency of the people's congresses at all levels, with more than 3 million people's deputies, is much lower than party committees of the same levels with much smaller numbers of working personnel. The number of persons is not in direct ratio to working efficiency. Under most circumstances,

the situation is just the opposite. The key to whether a people's congress can truly become an organ which exercises state power on behalf of the people lies in whether the quality of the people's deputies is good, and whether the system of the people's congress itself is perfect. Judging matters from a technological angle, we know that too many people might cause inconveniences. When several thousand people are working in the same hall, it is very difficult for them to profoundly and carefully discuss certain questions. These might be perfunctorily passed because opinions are so varied.

3. Election contests must be allowed and encouraged. Such elections were a product of the bourgeois revolution, and an important achievement in the development of the history of civilization of mankind. They were a negation of the feudal autocracy. Electoral contests are also an important component part of the general election system. In capitalist countries, this electoral system enables the bourgeoisie to push the most intelligent and capable elements of the class into the political arena. This shows one aspect of the political benefits of an election contest. Basically speaking, like a legislative assembly, the election contest is only a form, or a tool. Which class must it serve? In the final analysis, this is determined by the class essence of the entire country. In a socialist country, the electoral contest can become an important way for the broad masses of people to compare and select their deputies. Under the present condition of our information exchange system not yet having been fully developed, the voters do not know too much about the candidates for people's deputies. It is difficult for them to make an all-round assessment by relying on the introduction provided by an election committee alone. If we allow and encourage election contests, this will provide a channel for voters to directly and more comprehensively understand the candidates. This will also provide an opportunity for candidates to demonstrate their quality, and to talk about their aspirations. Their sense of responsibility will be enhanced because of all this. If someone takes the opportunity of an election contest to make counterrevolutionary propaganda, we can simply enforce the law upon him. If someone worms his way into the trust of voters with sweet words, but fails to work and speak for the people after he is elected, we can also dismiss him according to law. Whether we can tolerate an election contest is actually whether we have faith in the judgement of the people, and whether we truly admit that people have rights to elect their deputies.

## II. Reforming the Working System of the People's Congresses [subhead]

1. The duration of sessions of the people's congress should be prolonged. In most countries, the duration of meetings of their legislative assemblies is comparatively longer. Many countries have gone so far as to formulate a law on the shortest duration of meetings of their legislative assemblies with the aim of guaranteeing their constant work. Our country has not formulated any law on the duration of sessions of our people's congresses. In practice, each session only lasts about 10 days. The functions and powers of our people's congresses are

much greater than those of the legislative assemblies of the capitalist countries. We have more work to do, but our sessions are very short. This cannot but adversely influence the quality of the work of our people's congresses. With the development of our modernization programs, there will be more and more problems which should be discussed and decided by the people's congresses. Without prolonging their sessions, it will be impossible for the people's congresses to fulfill their tasks. Although the standing committees of the people's congresses have more regular work, they cannot substitute for the people's congresses in terms of powers and functions. Legally speaking, the status of the members of the standing committees of people's congresses is the same as that of other people's deputies. If the powers and functions of members of the standing committees of the people's congresses are too great, this actually means the reduction of the powers and functions of other people's deputies, and the stratification of our people's deputies. This goes against the nature of the people's congresses. At present, the powers and functions exercised by the standing committees are too great. This is because our people's deputies are not professional, and they are too numerous. It is impossible for them to carry out their work in the people's congresses regularly. With the implementation of a professional system and the reduction of the number of the people's deputies, it is completely possible for us to prolong the sessions of the people's congresses.

2. The work of the people's congresses must be made public. If people are not allowed to attend the sessions of the people's congresses, it is impossible for them to know how the people's deputies discuss the motions, or their attitude and views on the motions. This has actually curtailed some of the people's rights to know about matters handled by the people's congress. Thus it is impossible for the people to assess and supervise their deputies. At the same time, it is difficult for the people's deputies to win the support of the people. Obviously, this is incompatible with socialist democracy. I propose that various meetings of the people's congress be open to the public except those connected with state secrets. People should be allowed to attend the meetings as nonvoting delegates. When the people's congress adopts a certain law or resolution, the specific attitude (affirmative vote, negative vote or veto) of each and every people's deputy should be made known except when the law or resolution is adopted unanimously. This will truly ensure the supervision of the people over the people's deputies. This will also ensure that the people have a basis to go by when they elect, or recall their deputies.

3. A system of making decisions based on votes should be established. This is a system of making decisions on the great matters of the state on the basis of direct votes by citizens of the whole country. This method exists in the constitutions or laws of many developed countries. Ours is a socialist country. Of course, our people have a right to directly decide on matters of primary importance connected with their fate. In this regard, we should



do better and be more thorough than those capitalist countries in order to truly embody the strong point of our socialist democracy. Local people's congresses at all levels should also implement a system of deciding on local matters of primary importance by the votes of local people.

### III. Improving the Legal System To Truly Protect Various Powers and Functions of the People's Congresses [subhead]

1. Through legislation, we should explicitly define working relations between the ruling party and the people's congresses, and their relations in terms of jurisdiction. This will mainly involve problems in the following two aspects: First, the position and role of the leading party group inside a people's congress; and second, the relations between a people's congress and a party committee at the same level. Explicit and specific legal stipulations are needed to deal with relations in these two aspects. Otherwise, the people's congress will actually become a "subsidiary body" of the party organization. In this way, the people's congress will lose its independent status and authority. The fact that the people's congress can truly become an organ of state power does not mean the weakening of the party leadership. On the contrary, this will precisely reflect the correctness and success of the party leadership.

2. We should further improve the system governing the supervision of the people's congress over government. First, we should truly protect the right of the people's deputies to address inquiries. Letting the people's deputies exercise their right of addressing inquiries is an important method for ensuring the supervision of the people's congress over government. The law has stipulated that the people's deputies at all levels have the right to address inquiries to the governments and their working personnel. The governments and their working personnel must respond to such inquiries. However, there is no specific stipulation regarding the provision of the response. In other words, there is no legal guarantee for the response to the inquiries. If the people's deputies are not satisfied with the response, they can do nothing about it. Therefore, the right of addressing inquiries is devoid of the function of exercising supervision over the government. To change this situation, we should devise a legal method concerning the response. The government departments and the relevant working personnel should make known their positions, whether they accept, or refuse the criticisms of the people's deputies. The working personnel of the government can then be rewarded, punished, or recalled because of this. Only thus can the right of addressing inquiries play its role in exercising supervision over government work, of conscientiously enforcing law, of implementing the resolutions of the people's congresses, overcoming bureaucracy, and enhancing working efficiency, and so on. Only thus can it truly become a means for supervising the government. Furthermore, we should be clear about the implication

that the government is responsible to the people's congress. The constitution has stipulated that the government should be responsible for the people's congress and its standing committee. However, the specific content of "being responsible to" is not clear. In practice, it is only demonstrated in the work report delivered by the main government official during the people's congress session. The people's deputies in turn approve the work report. How great is the significance of this "being responsible to"? I think that the government being responsible to the people's congress must, at least, mean that when the government work report, or its important policies are negated by the people's congress, the government, or its main responsible person should resign. This system should be integrated with the senior officer responsibility system inside the government. Furthermore, members of the government cannot become people's deputies. The reason for this is that it is inappropriate for the government to supervise itself.

### IV. Changing Our Ideas To Increase Our Democratic Consciousness [subhead]

This is an abnormal phenomenon widely existing in our country. A fairly large number of our people look down upon [qing shi 6535 6018] their organs of state power. On the one hand, this is because our people's congresses have not truly become organs of state power. In the eyes of the people, they do not occupy a decisive position. On the other hand, this is because our people still lack a democratic consciousness. They fail to realize that they are truly the masters of their own country, and that they enjoy the power of administering the affairs of the state and the society. They have not yet profoundly understood that to secure their status of being the masters of their own country, they should rely on a perfect political and legal system in addition to their own efforts. It is appropriate to say that some "enlightenment" is needed in this regard.

The level of democratic consciousness of a ruling party has a direct bearing on the political system of the country. Although the party central committee has played an exemplary role in this regard, we should admit that the ideas of many of our party members, and leading cadres in particular, are not in accord with the socialist democratic consciousness. For example, they believe that the ruling party has the right to decide on everything, and that the people's congress is only a tool of the party committee. They refuse to acknowledge the status and power of the people's congress. They lump together the ruling party and the people's congress. They emphasize their similarities in nature, but neglect the differences of their functions in the political system. They set the people's congress against the party. It seems to them that strengthening the people's congress means weakening the party's leadership. They interpret the party leadership over the state as the party having the power to act on behalf of the people and organs of the state power. All these ideas should be changed.

In our country, the feudal autocratic political and ideological influence is the greatest stumbling block to the enhancement of democratic consciousness. It is not only an ideological source of the "leftist" ideology, but also a latent component part of the concept of the people's politics. To carry out an overall and systematic criticism of such influence is an important work for enhancing the democratic consciousness of the entire people.

The people's congress system is our country's basic political system. A political system as a social phenomenon has its inherent law of development. We must adopt a Marxist scientific attitude to analyze and contrast various kinds of political systems, and continuously explore the way for improving our people's congress system in light of our national conditions. Under the leadership of the party, we are confident that through the long-term and unremitting efforts exerted by people throughout the country, the people's congress will truly become an organ of state power, and play a greater role in the entire course of the modernizations.

**Grass-Roots CPC Organs Restructured**  
*OW0505001188 Beijing XINHUA Domestic Service  
in Chinese 1054 GMT 26 Apr 88*

[By reporter Pu Liye and correspondent Xu Bin]

[Text] Beijing, 26 Apr (XINHUA)—According to the Organization Department of the CPC Central Committee, since it issued the "Views on Restructuring and Improving the Establishment of Grass-Roots Party Organs in the Rural Areas" in February 1986, local party committees at all levels, in an effort to keep pace with the needs of restructuring the rural areas' economic system and developing the commodity economy, have earnestly restructured and improved the establishment of grass-roots party organs in the rural areas. This has substantially improved the situation in many localities "where there were party members but not party organs," or "where there were party organs but no participation of party members in their activities."

During the process of restructuring and improving the establishment of grass-roots party organs in the rural areas, all local party committees have persisted in beginning with basic work in a way appropriate to the actual local situation and started by establishing party organs in township enterprises. According to incomplete statistics, over 120,000 party branches have been established in the nation's 15 million or so township enterprises which have nearly 2 million party members. Party organs have now been established in an overwhelming majority of collectively owned township enterprises, each of which has three or more party members. Second, the establishment of party organs in administrative villages [xing zheng cun 5887 2398 2625] has been improved. Party groups have been established in a considerable number of village enterprises and economic associations, each of which has three or more party members. General party

branches have been established in relatively large administrative villages, each of which has about 50 party members and a fair number of village enterprises. In these villages, party branches or party groups have also been established according to party members' nature of work and the locations of their residence. Third, the management of party members who work and do business in other localities has been improved. Party organs have now been established among party members who work collectively away from home as well as among party members who do business in cities and who have a relatively permanent residence. In Linfen Prefecture, Shanxi, for example, 88 party branches have been established among independent operators in 17 counties and cities. To intensify ideological education for and management of the transient members who do not have a permanent residence, the party branches of some localities have resorted to measures on registering their departure, maintaining correspondence with them, and sending them study materials.

Through restructuring and improving the establishment of grass-roots party organs in the rural areas, various localities have achieved initial successes in correcting the situation where "party members were hard to assemble and activities could hardly proceed." Currently, over 85 percent of the peasant party members in Shanxi can take part in regular party activities. Furthermore, following the establishment of party organs in accordance with the nature of party members' production and operations, the party members have been able to set a more influential example for the masses. Members of the party organs established among independent workers in Linfen City, Shanxi, and in Kunshan County, Jiangsu, have been taking the lead in paying taxes and other fees required by law. They have created a good market order by setting examples for other independent, nonpartisan workers to do business in a civic manner.

**Ni Zhifu Outlines Trade Union Reforms**  
*HK0405154188 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 17, 25 Apr 88 p 8*

[Article by Ni Zhifu, Chairman of the All-China Federation of Trade Unions: "Opening Up a New Situation of Trade Union Reforms"]

[Text] Trade union reform is an important component part of China's political structural reform. The policy on reform and opening up adopted since the 3d Plenary Session of the 11th CPC Central Committee and, in particular, the basic line concerning the initial stage of socialism laid down by the 13th CPC National Congress, have opened vast vistas for the development of the workers' movement in China. The new situation demands that we promptly create a new situation in trade union work.

I. The workers' movement entered a new stage of development in China after the founding of the PRC. Under the CPC's leadership, the vast number of trade union

cadres have displayed extremely high political enthusiasm. They have taken the initiative in expanding trade unions on their own, making important contributions to socialist construction. However, due to "Left" influence in the past, the labels of "syndicalism" and "economism" have been placed on trade union work. During the "Cultural Revolution," the role of trade union organizations was even vilified as "the revisionist three unions and doctrine" (namely, the productive trade union, the trade union for the whole people, the welfare trade union, and syndicalism). All this unfair criticism caused tremendous losses to the workers' movement in our country, hurt a number of outstanding trade union cadres, and upset people's thinking.

The 3d Plenary Session of the 11th CPC Central Committee broke away, once and for all, from the longstanding and tight "Left" trammels, thus opening up a new road for the smooth development of the workers' movement in China. However, we must still be aware that the "Left" pernicious influence regarding the trade union issue has not been completely cleared. For example, some comrades turn pale whenever people demand that trade unions stand by the workers' side in handling disputes concerning specific interests of the workers, that trade unions keep their independence, that trade unions maintain equal and cooperative partner-like relations with the government (administration), and so on. Some comrades may even warn our trade union cadres never to repeat the mistakes of practicing "syndicalism" and "economism." Facts have shown that at present the main factors hindering the in-depth development of the trade union reform are the "Left" force of habit and traditional concepts.

The history of the workers' movement in China has indicated that the trade union, the mass organization of the Chinese working class, has always been operating under the CPC's leadership ever since it first entered the arena of economic and political struggle. This is the glorious revolutionary tradition of the Chinese trade union. In China, trade union work has never been adversely affected by "syndicalism" and "economism" since the founding of the PRC. On the contrary, our trade union is more like a "government-run" organization which has seldom played an independent role in organizing activities representing its special features as a mass organization, since it has long been affected and fettered by the party's "centralized" leadership, the administrative structure characterized by overcentralization of power, and undue emphasis on the necessity of keeping trade union operation in line with social interests. Meanwhile, since the due important role and the basic functions of the socialist trade union have not been acknowledged and accepted, the trade union has failed to more effectively safeguard the workers' legitimate rights in the economic and political fields, to give fuller play to the initiative of the vast number of workers in socialist construction by mobilizing and uniting them, and to make greater contributions. Thus it can be seen that we will be able to create a new situation in the trade union

reform only if we can adhere to the guideline laid down by the 13th CPC National Congress, further emancipate our minds, bravely blaze new trails, make great efforts to clear away all those hidebound "Left" concepts and old conventions, and pay attention to preventing rightist interference. This is a pressing task facing us in our trade union work.

II. Lenin pointed out: "In the wake of the greatest revolution in history and in the wake of the proletariat's seizure of the state political power, the trade union came to the greatest turning point in its activities. The trade union has become the main builder of the new society because the builder of this new society can only be the hundreds of thousands of masses." At the initial stage of socialism, the Chinese working class' historical mission is to do its best to push ahead socialist economic construction and the development of democratic politics. This is where the Chinese working class' fundamental interests lie and this is the very basis of the trade union work in our country.

Of course, it is absolutely wrong to take production as the only goal while regarding man as the appendage and tool of production; and it is equally wrong to define trade union work simply as an activity to encourage workers to work hard while being completely indifferent to the specific interests of the producers.

The trade union must be concerned about and engage in the state's economic construction and integrate the overall interests of all the people with the specific interests of the workers. Of course, the trade union cannot replace the administration in exercising direct control over enterprises' productive activities. But the trade union can still play an extremely important role in both basic aspects, namely, in reforming and improving the production relations and the superstructure and in intensifying and improving the quality of the labor force as the most active factor of the productive forces. In light of historical experience and present day needs, trade union organizations should concentrate their attention on the enhancement of democratic management, the promotion of technological development, and the improvement of the quality of the laborers.

The trade union should encourage enterprise operators to blaze new trails and put theory into practice in the course of reform, and should assist them in overcoming difficulties. On the other hand, the trade union should also actively encourage the vast number of laborers to show their concern for enterprise reform and should respond to their demands. At present, while the reform of the economic structure with the contracted management responsibility system for enterprises as its main feature is being vigorously enforced nationwide, the trade union must support the government and the administrative authorities in implementing major reform measures and must make suggestions and raise reasonable demands on behalf of the workers, so that the reform will proceed smoothly according to the principle



of coordination, perfection, deepening, and development. It is necessary to make the enterprise operator's administrative authority match the workers' status as the masters of the enterprise, and to integrate the initiative of the enterprise operator with the initiative of the producers through the implementation of the contract system.

In implementing the Enterprise Law, we must take the perfection of the workers' congress system and the enhancement of democratic management as our important tasks.

The trade union must vigorously promote the development of lateral economic association and technological cooperation and enhance unity within the working class through association and cooperation. Nowadays, while the agricultural labor force is gradually being transformed into non-agricultural labor force, the contingent of the working class is unremittingly expanding. As non-agricultural trades in townships and towns badly need technical and management assistance, the trade union should expand its technical services step by step from urban areas to townships and towns. Helping the poor through technical services, popularizing science and technology in rural areas, and providing contracted scientific and technical services are all new channels and new forms to strengthen the alliance of the workers and peasants and also an important task for the trade union under the present new circumstances.

**Official Says Social Security Pensions Spreading**  
OW0505203088 Beijing XINHUA in English  
1109 GMT 5 May 88

[Text] Harbin, May 5 (XINHUA)—A welfare system to provide pensions to 10 million retired workers is spreading in China, an official in charge of the work said here today.

So far, 1,600 of China's 2,300 cities and counties have implemented the system, he said.

Under the system, pension committees collect contributions based on earnings from participating factories and then issue pensions to the retired workers.

Before, individual factories had to look after their own retirees.

The new system was introduced because some poorly-run factories were having difficulty meeting pension payments and also because old factories were placed at a disadvantage with new ones since their pension demands were much greater.

The official also said the new system has created a fairer competitive atmosphere and has saved a large number of old enterprises from bankruptcy.

The ratio between retirees and workers is about one in 10 in China but the number of retired workers is expected to increase in the coming years.

**Provincial Leaders Comment on Media Reform**  
HK0505131988 Beijing ZHONGGUO JIZHE  
in Chinese No 4, 15 Apr 88, p 1

["Monthly Commentary" by Yi Jian (1150 6015): "A Gratifying Phenomenon, Valuable Support"]

[Text] Before the First Session of the Seventh NPC, some provincial, municipal, and autonomous regional leading comrades expressed their opinions on media opinion and media reform. For example:

Liang Buting, Secretary of the Shandong provincial party committee, told reporters that newspapers should make criticisms and leaders should be subject to opinion supervision. He said: We communists have the duty to air people's grievances, appeal for redress of wrongs, and enforce law and discipline. Some people do not fear being criticized by internal circulars, but they are afraid of being openly criticized by newspapers. The evildoers are always furtive and fear that their errors are open to the public and are criticized by the public. However, it is still difficult for the mass media to publish critical reports, and they may be involved in lawsuits if publishing such reports. For this problem, Liang Buting said: Some critical reports may be somewhat inaccurate or improper, but in general, criticisms have not been carried out properly and there are indeed difficulties. The problem does not lie with reporters or media units; instead, the main problem is that some cadres do not have a correct attitude toward opinion supervision. In fairness, most comrades who write critical reports are serious and responsible. They fear no trouble and hardship, and they are open and aboveboard in writing these reports. So they deserve people's respect.

Guan Guangfu, Secretary of the Hubei provincial party committee, said in the talks with the comrades responsible for the province's propaganda work: The newspapers themselves should have the right to decide whether to publish the speeches of the provincial leaders according to their work standards. If things without news value are also published in the newspapers, how can they improve their report quality? So you should have the right to decide whether to publish a speech or not and to decide which part of the speech, and you should make selections in light of the practice of the journalistic work. Our leading organs will support your work, so you should not be afraid of offending any people. Guan Guangfu also said: China's reform is so complicated, and there are so many new things and new problems that require you to study and grasp. At the same time, the party also needs to educate the masses through you and to collect the opinions of the masses through you. So our journalists must be highly competent. He also stressed that reporters should often go to the grass-roots units to see the work in the forefront. He said: We do not lack journalists, the key

is how to properly organize them. There should also be a development strategy for journalism, and the organization and structure in this field should also be adjusted and improved. The media units should have their long-term plans as well as immediate arrangements, and they cannot only do whatever the upper authorities ask them to do; otherwise, their report quality will not be improved.

At the same time, some leading comrades in Henan, Hunan, and Anhui Provinces also expressed their opinions on media reform. Some of the stressed the necessity of newspaper criticisms and required local leaders to give timely responses to newspaper and broadcast criticisms. Some provincial leaders hoped to strengthen consultation and dialogue, saying that such dialogue should be reported in a two-way manner. That is, leaders should speak pertinently and realistically, rather than indulging in empty talk. Some leaders also called for increasing the openness of the leading organs's activities. Under the premise of keeping secrets concerning some important matters and protecting the state interests, the activities of the leading organs should be as open as possible, and should not be so furtive and mysterious. Leaders should be confident of the people's capacity and political ability.

What brilliant remarks they are! We often said that our media reform needs support and understanding from the masses, especially from leading cadres at all levels. Now, some leading comrades have expressed their attitude, and their remarks were indeed encouraging and gratifying. What we need are such timely and powerful support and guidance. The 13th party congress laid down the principle for media reform, and the media reports about the 13th party congress also marked a good beginning of the in-depth media reforms. After the 13th party congress, some provincial, municipal, and autonomous regional leading comrades continued to pay close attention to the in-depth media reform. All this signaled a gratifying phenomenon and a favorable tendency in the healthy and gradual process of the in-depth media reform. If this tendency continues to develop, with leading cadres at all levels joining hands with our journalistic workers in studying the position and role of the journalistic and opinion work under the new situation and in studying the propaganda art and skills under the situation of opening up, then the pace of media reform will certainly be quickened and the role of journalism in the building of the two civilizations will certainly be brought into full play.

In the past, some comrades thought that the process of media reform was mainly obstructed by some leaders or that leaders made too much interference in and imposed too many restrictions on the media work. In fact, this should not be viewed so generally. Indeed, some leaders made unnecessary interference and imposed excessive restrictions on the journalistic work. But we should notice that there were not too many such cases, and most leaders were broad-minded and enlightened. In addition,

media reform is still a new thing, so it takes time for people to get familiar with such a new thing. Some of our leading comrades may not deeply and fully understand the process and characteristics of journalistic work. In particular, they may still not understand the way to use media opinion as a tool to serve socialist construction under the new situation of reform and opening up. Mass media comes into contact with the public every day, and the influence of media opinion is strong. A leader should learn more about journalism as we used to advocate, and should read more newspapers so as to know how to make use of such a tool. However, our journalists should not set too high demands on our leaders, and they should allow the leaders to gradually understand and become familiar with journalistic work. Our journalists are all professionals, and they have the duty to enthusiastically help the leaders acquire more knowledge about their profession by explaining the significance, characteristics, and role of journalism so that journalists and leaders can understand, trust, and support each other. Many of the provincial leaders' remarks about media reform as we quoted above were made when our journalistic workers interviewed them and sought instructions from them. In the past, we used to say that we should take the initiative in "seeking guidance." This means that we should take more initiative in reporting on our work to the leaders, offering more information to them, and discuss various issues with them so as to seek their understanding, support, and guidance. It is now still necessary to "seek guidance" in this way.

Of course, the relationship between leaders at various levels and the journalistic workers, or the leadership of the party and the government over the journalistic work, is a rather complicated issue. We have just made a beginning in dealing with this issue, and further progress was made during the First Session of the Seventh NPC and the Seventh CPPCC National Committee. We hope that the good tendency will continue to develop, and that more leading comrades will give favorable opinions to media reform and will put these good ideas into practice so that media reform can be advanced continuously with the support of leaders at various levels and with the support of the general public.

**Li Peng Views Photo Exhibition in Beijing**  
OW0605115888 Beijing XINHUA Domestic Service  
in Chinese 0720 GMT 4 May 88

[By RENMIN RIBAO reporter Luo Tongsong and XINHUA reporter Yi Jianru]

[Text] Beijing, 4 May (XINHUA) — Premier Li Peng visited the Military Museum of the Chinese People's Revolution this morning to view an "Exhibition of Photographs by General Ye Ting."

Prior to this exhibition, very few people knew that late General Ye Ting was an amateur photographer whose talent was reflected in the 400 photos on display. As Li Peng strolled in the exhibition hall, he viewed, with great

interest, a rare artistic photograph taken by General Ye Ting when he was commander of the New Fourth Army between 1938 and 1940. After being briefed by Ye Ting's first son Ye Zhengda and second son Ye Zhengming, Li Peng praised the photos as valuable historical data, as well as artistic works. The premier, who is also an amateur photographer, said in front of some scenery photographs: "Excellent! Excellent! It would be nice if they were in color."

After the exhibition, Li Peng posed for photos with General Ye Ting's relatives and officials of the museum.

Accompanying Li Peng to the exhibition were State Councillor Zou Jiahua, Minister of Energy Resources Huang Yicheng, and Deputy Director of the PLA General Political Department Zhou Keyu.

The exhibition, held in commemoration of the 42d anniversary of General Ye Ting's martyrdom, will remain open until 8 May. Since its opening on 8 April, several thousand people have visited the exhibition daily.

**Deng Xiaoping, Others Congratulate Mountaineers**  
*OW0505231888 Beijing XINHUA in English*  
1558 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA) — Chinese leaders today warmly congratulated climbers from China, Nepal and Japan on their historic cross-traverse over the world highest peak of Mt. Qomolangma [Mount Everest].

Deng Xiaoping asked the Chinese TV to convey his warm greetings to climbers of the three countries for their magnificent feat.

12 climbers including four from China, three Nepalese and five Japanese scaled the mount simultaneously from two directions, met at the peak and then descended from the opposite directions for the first time in the history of mountaineering.

Yang Shangkun and Wang Zhen, Chinese president and vice president, also sent congratulations to the tri-nation joint expedition for their victory through the Chinese TV.

Meanwhile, China's State Council sent a message to the joint expedition, saying: "Warmly congratulate to the Sino-Nepal-Japan joint expedition for their successful cross-traverse over Mt. Qomolangma."

**General Secretary Zhao Ziyang Visits Shandong**  
*SK0605012388 Jinan Shandong Provincial Service*  
in Mandarin 2200 GMT 4 May 88

[Text] Zhao Ziyang, general secretary of the CPC Central Committee, guided responsible comrades of the relevant central departments in inspecting Shandong peninsula's Yantai, Weihai, and Jinan Cities from 28 April to 4 May.

He went deep into plants, towns, townships, and the countryside to carry out investigations and studies; got in touch with a wide range of local cadres and masses; and heard reports on the grassroots work related to implementing the guidelines of the 13th party congress and handling the new situation and new problems cropping up in the course of reform and opening to the outside world. [passage indistinct]

Comrade Zhao Ziyang highly appraised Yantai City's experiences in carrying out the housing structural reform and the province's good experiences in opening to the outside world and making good arrangements for market supply.

Accompanying Comrade Zhao Ziyang in inspecting the province were Liang Buting, secretary of the provincial party committee; Jiang Chunyun, provincial governor; Gao Changli, secretary general of the provincial party committee; and Ma Shizhong, provincial vice governor.

On the afternoon of 3 May at the Nanjiao guesthouse, Comrade Zhao Ziyang had a pleasant meeting with some veteran comrades and responsible comrades of relevant departments and democratic parties.

On the morning of 4 May, at the place where the Jinan Military Region is stationed, Comrade Zhao Ziyang, general secretary of the CPC Central Committee and first vice chairman of the Central Military Commission, cordially met with leading cadres of the army level and above from the ground and air forces stationed in Jinan, and retired veteran cadres of the army and regimental levels and above. They also had a group photo taken to mark the occasion.

General Secretary Zhao Ziyang arrived at the Jinan Military Region at 0800 in the morning, accompanied by Li Jiulong, commander of the Jinan Military Region, and Song Qingwei, political commissar of the region. Among those present were Liang Buting, secretary of the provincial party committee; Lu Maozeng, deputy secretary of the provincial party committee; Jiang Chunyun, deputy secretary of the provincial party committee and provincial governor; and Rao Shoukun, member of the Central Advisory Commission and former commander of the Jinan Military Region.

Comrade Zhao Ziyang conscientiously heard the report concerning the basic situation of the military region and on the PLA's construction given by Political Commissar Song Qingwei. Comrade Zhao Ziyang demonstrated for the Army reform and construction and the life of cadres and soldiers; and paid full attention to the Army's ideological and political work and practical problems.

He pointed out: The Armed Forces have now been assigned to undertake a major task of reform. Many problems are related to reform. I am afraid it will be difficult to solve the practical problems relating to the PLA if reform is not carried out.



After satisfactorily winding up his visit to Shandong, Comrade Zhao Ziyang returned to Beijing on the morning of 4 May.

**Zhao Ziyang Visits Jinan Military Region**  
*OW0505103088 Beijing Television Service  
in Mandarin 1000 GMT 4 May 88*

[By station reporter at Jinan Military Region]

[Text] Zhao Ziyang, general secretary of the CPC Central Committee and first vice chairman of the Central Military Commission, accompanied by Li Jiulong and Song Qingwei, commander and political commissar of the Jinan Military Region respectively, warmly received leading cadres at and above army level stationed at Jinan, and old cadres at and above army level who have left or retired.

Comrade Zhao Ziyang has been very concerned about reforms and construction within the Armed Forces as well as the livelihood of cadres and fighters. He is equally concerned about the situation of ideological-political work among troops and current problems in the Armed Forces. He pointed out that the main issue of the Armed Forces now is reform. Many of its current problems involve reforms and cannot be solved if reforms are not carried out.

Finally, Comrade Zhao Ziyang posed for a souvenir photograph with cadres of the Jinan Military Region at and above army level stationed at Jinan, and cadres at and above army level who have left or retired.

**Military Academies To Recruit New Cadets**  
*OW0605103588 Beijing Television Service  
in Mandarin 1300 GMT 4 May 88*

[Text] With the approval of the State Education Commission and the PLA General Political Department, military academies and schools in our country will recruit 5,400 new cadets from among this year's senior middle school graduates. Enrollment of new cadets will be held in the 30 provinces, autonomous regions, and municipalities throughout the country.

Applicants for admission to military academies and schools are required to take the uniform entrance examination held nationwide for ordinary institutions of higher education, and admission will be based on this examination.

Forty-eight military academies and schools, involving 124 specialties, will recruit new cadets this year. Female cadets will be recruited for some specialties. Those who are not less than 20 years of age; that is, who were born on or after 1 September 1968 [as heard], and who will graduate from senior middle schools this year can apply for admission.

**Foreign Loans Help Build Power Projects**  
*OW0505142288 Beijing XINHUA in English  
0632 GMT 5 May 88*

[Text] Beijing, May 5 (XINHUA) — China has borrowed 1.5 billion U.S. dollars from abroad since 1984 to build power projects.

The projects will have a combined capacity of 6.29 million kilowatts and produce 30 billion kwh electricity annually, the "PEOPLE'S DAILY" said today.

The Lubuge hydropower station on the border of Yunnan and Guizhou provinces is the first built in China with World Bank loans. Its first of four generating units is scheduled to go into operation later this year.

The paper noted that only 7.9 percent of the water resources in the country have been tapped for power generation while many places are unable to build up a local industrial base because of a lack of electricity.

The government has targeted an eight percent annual increase in power generating capacity. To achieve the goal more foreign investment is being sought.

**Joint Ventures Introduce Contract System**  
*OW0405235488 Beijing XINHUA in English  
1111 GMT 4 May 88*

[Text] Tianjin, May 4 (XINHUA)—The contract responsibility system, which has enjoyed wide success among Chinese businesses and factories, has been introduced by two Sino-foreign joint ventures in this north China city.

The Jia Tai Ceramic Industrial Company, Ltd. has a foreign manager under contract, while the Jin Yi Lighter Company, Ltd., has entered into a contract with a Chinese manager.

The managers have the authority to dispense with any profits above agreed-to production quotas as well the duty of compensating if they are not met.

The system has aroused the enthusiasm of both the contracted managers and workers, and production is already on the rise in the two joint ventures.

**Development of Coastal Export Economy Viewed**  
*HK0405151188 Beijing RENMIN RIBAO  
in Chinese 28 Apr 88 p 2*

[Article by Shi Min (0670 2404): "Several Relationships in the Development of Export-oriented Economy in Coastal Areas"]

[Text] A decisive step has already been taken in developing an export-oriented economy in China's coastal areas, though the speed of development differs from place to place. We have learned from accumulated

experiences that in the development of an export-oriented economy, it is necessary to properly handle the following main relationships:

#### 1. International Market and Domestic Market [subhead]

To participate in international exchange and competition is naturally very important. However, our country has a vast domestic market with a population of more than 1 billion, which should not be neglected, since it is attractive even to foreign entrepreneurs. In many foreign countries, even in the United States, which has attached great importance to foreign trade and opening up, export trade only makes up about 10 percent or so of the gross domestic product. In Japan, which takes "building the country through promoting trade" as its long-term strategic policy, this figure is also below 15 percent. It seems that it is unrealistic to require that our country's export trade make up 20 to 30 percent of our gross domestic product in a short period. However, we should strive to increase this percentage from the current 10 percent or so to 15 percent. Of course, this will be conditioned by the benign circle of our domestic economy. Although the export-oriented enterprises can "put both ends of the production process [referring to the supply of raw materials and the marketing of products on the world market," they should keep the main production process within our country. Without the benign circle of our domestic economy, they will be unable to enter the international economic arena.

#### 2. Export Orientation and Import Substitution [subhead]

In the economic development strategy, export orientation and import substitution are not two separate matters. While implementing the strategy of export orientation in coastal areas, we should not neglect the import substitution departments that are indispensable to our development. The import substitution departments, which can help save foreign exchange, are playing the same role as the export departments — helping to earn more foreign exchange. To promote the development of the import substitution departments and improve technology and product quality through import will also help enhance the competitiveness of export goods. Only when a number of spare parts and raw materials import substitution departments are established can we gradually increase the rate of self-supply of spare parts and raw materials for export goods and maintain the balance between foreign exchange income and expenditure.

#### 3. Development of Production for Export and Development of External Marketing [subhead]

At present, as the development of an export-oriented economy is being emphasized, various areas are paying great attention to promoting production. However, judging from the overall national situation and the situation of most coastal areas, the weakest link is still that of circulation. External marketing and after-sales service

systems are badly needed. Many superior-quality commodities are unable to sell on the international market without the help of foreign businessmen. At present, light industrial and textile products are major export goods for China. But since their varieties, design, and color do not suit the demands of foreign markets, marketing of such products has been greatly affected. Some top-grade products have been sold at prices for second or third grade products or even failed to sell at all. Referring to the profits of our operation, since wholesale and retail businesses are the most profitable links of circulation on the international market, if we do not make great efforts to establish a marketing and after-sales service system for our export goods while accelerating the development of their production, we will be unable to attain the greatest possible economic returns and firmly occupy the external market.

#### 4. Development of Labor-Intensive Industry and Capital- and Technology-Intensive Industries [subhead]

As a result of the development of science and technology, the developed countries have realized automation in some labor-intensive industries and greatly reduced the labor cost of their products. Thus, China's advantage in respect of low labor cost will gradually be weakened. Therefore, while taking over some labor-intensive industries through the current readjustment of the world industrial structure, we must also develop the labor- and knowledge-intensive industries in the large and medium coastal cities and some of their suburban townships and towns.

Considering the long-term development, provided we work hard to improve our technology and ensure the continuous improvement of the quality of our products as well as the increase in labor productivity, we will also be able to maintain the advantage in low labor cost even in the traditional capital-intensive industries and will be able to participate in international competition.

#### 5. Cost, Quality, and Efficiency of Labor Force [subhead]

To make our products good, cheap, and capable of competing with others in the international markets we must not merely rely on low wages but must pay attention to improving the quality of the labor force. The latter is more important. In international competition, the advantage in low labor cost is reflected in the low wage cost of the end products. Suppose our country's wage level is only one-sixth of the wage level of a certain country but our labor productivity is only one-tenth of that country's labor productivity, then there is no advantage at all to China in respect to labor cost. However, to increase labor productivity, it is necessary to improve the quality of the labor force. A fundamental method is to promote education. It is also necessary to improve enterprise management, speed up technological transformation in factories, and strengthen education in science, technology, and management.

#### 6. Manufacturing Industry and Service Trade [subhead]

The service trade in a broad sense, that is, tertiary industry, refers to all trades serving production and the people's daily life, including finance, insurance, consultancy, education, training, legal affairs, telecommunications, communications and transport, commerce, and storage. To speed up economic development in coastal areas, we must not merely develop the manufacturing industry but must also develop the tertiary industry. Now, many foreign businessmen have come to China to invest. But they often complain that our communications, transport, and telecommunications facilities are too backward. In those economic development zones which have comparatively complete basic facilities, there are still insufficient service, cultural, and recreational facilities. They have thus become less attractive to foreign management personnel and engineers. From a long-term point of view, to realize economic modernization in our country, it is also necessary to vigorously develop the tertiary industry and realize the modernization of our industrial structure. Therefore, in developing an export-oriented economy in the coastal areas, we should attach due importance to the development of tertiary industry from the very beginning.

#### 7. Coastal Areas and the Interior [subhead]

Speeding up the development of an export-oriented economy in the coastal areas will not only facilitate the economic development of these areas but will also benefit the economic development of the interior. At present, it is necessary to give more preferential treatment to the enterprises using foreign capital and developing the "three processings and compensation trade" in coastal areas, but such preferential treatment should be limited to a certain range so that it does not become a discriminative policy against the interior areas in developing export-oriented enterprises. As a matter of fact, not only should the coastal areas stress the development of an export-oriented economy, but all the interior areas where conditions are ripe should also develop some export-oriented departments and enterprises. For example, Shashi, a city on the bank of the Chang Jiang in Hubei Province, has done quite a good job in introducing foreign funds and developing export-oriented enterprises. On the other hand, it is impossible for all the enterprises in the coastal areas to produce only export goods. Quite a few of them should still be geared to, or mainly geared to, the needs of the domestic market. It is still necessary to strengthen cooperation between coastal and interior enterprises and strengthen lateral economic ties. This will not only help coastal areas to produce more fine-quality products but will also help promote the economic and technological development of the interior areas.

#### 8. Large and Medium Enterprises in Coastal Cities and Medium and Small Enterprises in Townships and Towns [subhead]

The township and town enterprises in coastal areas, which are small in scope and flexible in management, form a new force that cannot be ignored in developing the export-oriented economy. However, most of them do not have sufficient technological forces and qualified management and foreign trade personnel and do not have quick access to information. Compared with these enterprises, the large and medium enterprises in coastal cities have comparatively stronger production, management, and technological forces and more knowledge and experience in modern enterprise administration. They also have quicker access to information. Through reform, their decisionmaking power will be greatly expanded so that they can better exploit their key roles in developing an export-oriented economy and in promoting export to earn more foreign exchange. It is necessary to combine the strength of the large and medium enterprises in cities and that of the township and town enterprises. The township and town enterprises can independently produce labor-intensive export goods, which do not require much technology, or change themselves into coordinated factories of large and medium enterprises in the cities and produce certain spare parts for some technology-intensive export goods under the technological guidance of large factories so that they can give play to their superiority in the coordinated batch production of some special lines of products.

**Article Urges Facing Up To Inflation**  
*HK0505122788 Beijing JINGJI RIBAO*  
*in Chinese 5 Apr 88 p 3*

[Article by Liu Guoguang (0491 0948 0342): "Face Inflation Squarely"]

[Text] The assessment of the economic situation last year by the central authorities was compatible with reality. Our country's economic situation last year was favorable. There has begun a new situation marked with unity of growth and stability, and mutual stimulation between thriving microeconomic activity and macroeconomic control. Compared with the year before, the whole economy last year was not a case of more tightening but one of development in the direction of a gradual turn for the better. Of course, there also existed some factors behind instability. Prominent among them was the problem of commodity prices rising substantially. To maintain the momentum of steady growth beginning last year, the most important thing is to get rid of the factors behind instability existing in economic life, and especially solve the problem of a continuous increase in commodity prices caused by inflation.

**The Guideline and Slogan of "Price Stability" Cannot Be Dropped [subhead]**

Because a big rise in our commodity prices in recent years has become a fait accompli and because the price reform in the days ahead will inevitably cause an upward



adjustment of the commodity price level, some comrades in theoretical circles have suggested that the guideline or slogan of "price stability" in carrying out price-related work and relevant publicity not be advanced.

Should the guideline or slogan of "price stability" not be advanced in carrying out price-related work and relevant publicity? In my opinion we should still insist on doing so. This is because the relative stability of commodity prices is an important condition for the sustained and steady development of the whole economy. Given sharp fluctuations in the commodity price level, the possibility of a sustained and steady development of the whole economy can hardly be conceived. The guideline for stabilizing commodity prices is a main component of the whole guideline for economic stability. Like the deepening of the reform, stabilizing the economy is not an expediency, and is instead a guideline to be carried out over a long period of time. Therefore, stabilizing commodity prices should also be a long-term guideline. We cannot drop it freely.

Of course, stabilizing commodity prices does not mean that the comparable prices of various products cannot be changed. Nor does it mean that the general commodity price level cannot be changed. In his report at the second plenary session of the 13th CPC Central Committee, Comrade Zhao Ziyang aptly said: "We must do away with the misconception about price stability meaning a price freeze. Those irrational prices interfering with production must be consciously and systematically readjusted, so that price fluctuations can make for the rationalization of the industrial composition and the product mix and, at the same time, resolutely stop the practice of freely raising prices." From this, it can be seen that in the price reform, we must still uphold the idea of stabilizing commodity prices. Meanwhile, in carrying out price-related publicity, we must not let people get the wrong idea that price stability means a price freeze. We must allow them to adjust to price fluctuations without showing psychological fears.

**Straightening Out Prices and Stabilizing Prices Are Not Contradictory Actions But Are Complementary Ones [subhead]**

One argument of those comrades advocating the dropping of the guideline or slogan of stabilizing commodity prices is that stabilizing prices and straightening out prices are conflicting processes. But given the strict control of inflation as a prerequisite, straightening out prices and stabilizing prices are not contradictory with each other. True, with the prices of agricultural and primary products and so forth in our country being on the low side, straightening out prices and putting them on a rational basis naturally causes a rise in the general price level. To disallow a rise in the price level is to disallow reform. That of course does not work. Certain increases in commodity prices arising from a price reform and the rationalization of the price structure should be allowed. In line with the demands of the law

governing prices, we should use the method of combining readjustment with liberalization to introduce such increases in a planned and systematic manner. Meanwhile, we must increase people's capacity for absorption in regard to publicity and the granting of subsidies. The rationalization of an irrational price structure helps the general price level reach relative stability at a slightly higher new level, thus making for the steady development of the whole economy. On the other hand, the rationalization of the price structure also can be achieved only given the relative stability of the general price level and not acute fluctuations. Therefore, the reform to straighten out commodity prices and the guideline of stabilizing commodity prices should be regarded as complementary not contradictory.

But another kind of an increase in the general commodity prices arising not from a price reform and not from a readjustment of the price structure to bring about rationalization but from purely inflation, or a sustained commodity price increase caused by a supply of money exceeding actual economic growth, is in conflict with economic stability. International experience shows that an inflationary commodity price increase, from a short-term point of view, may have a stimulating effect on economic development. But from a long-term point of view, it will certainly damage the whole economic organism. This kind of an inflationary price increase is like habit-forming opium, which can hardly be dropped once a person starts taking it. When it is discovered in its budding stage, it should be controlled by every effort and not allowed to lead the economy astray.

**The Current Price Increase Is, To Quite a Large Extent, Inflationary [subhead]**

The central authorities pointed out that the focus of the current price increase problem is the food price. An analysis was made where the supply of food and its demand are concerned. Countermeasures and measures that link things up to properly solve the food price problem were put forward. These are quite correct and necessary. If they are followed, the price problem will be alleviated. They should be seriously carried out.

The problem of an excessive increase in commodity prices at present has to do with changes in the supply and demand relations involving various kinds of products, especially food. But it is not just the problem of the supply of individual products. The problem we are facing is also not just due to a increase in the commodity price level arising from the straightening out of the prices of certain products, or the readjustment of the price structure. Instead, it is, first of all, due to a sustained commodity price increase caused by an oversupply of money and thus a drop in the value of money. For example, last year, given no large conscious action to readjust prices, the general index of retail commodity prices rose 7.2 percent. Relatively large price increases of this kind have lasted for 3 years. It was an increase of 8 percent in 1985, an increase of 6 percent in 1986, and an

increase of 7.2 percent in 1987. This year (1988), the projected increase will not exceed a two-digit number. Such a sustained increase with no drop in between is, to quite a large degree, an inflationary increase, or a price increase caused by an oversupply of money and a drop in the value of money. It involves the whole commodity world. It may be concentrated on a portion of products today and on another portion tomorrow. The whole price level goes up endlessly, with prices rising in turn, through the operation of a mechanism started by demand and maintained by the increase in cost. By citing just the supply and demand relations involving individual products, and just the structural factor, we cannot make clear such a price increase of a sustained nature that involves the whole commodity world. It should be noted that the change in the value that money itself represents is also dictated by the law of market value. The reasons are unusually simple. Things in plentiful supply will be less appreciated. Banknotes supplied in large quantities will become devalued. The increase in the general price level is but a synonym for inflation. This represents the law of value within a larger scope. By stressing the need to use the law of value to bring about economic stability and the deepening of the reform, we must not only study the law governing the prices of individual products but also pay particular attention to the law governing the value represented by money and governing the general price level of the whole commodity world.

The oversupply of money is a fact that cannot be ignored. Last year, the rate of growth of money was 19.4 percent, a drop from the preceding year's 23.3 percent. The total rate of bank loan growth last year was 18.8 percent, a drop from the preceding year's 28.5 percent. This was an important factor why the macroeconomic situation last year was not more strained than in the preceding year, and instead showed development in the direction of a gradual turn for the better. But it should after all be noted that the growth of money supply last year and the growth of the total loan amount still greatly exceeded the actual rate of growth (9.4 percent) of gross national product of that year. The supply of money was excessive, even with the factor of the national economy being put on a basis of money and credit taken into consideration. This inevitably caused a continuous stimulation of an inflationary commodity price increase. This calls for further efforts on our part to seek a solution.

#### The Consequences of Inflation Cannot Be Treated Lightly [subhead]

When the general commodity price level is chalking up a relatively large increase of a sustained nature, it is not very easy to straighten out the originally irrational price structure. It often happens that more tampering is accompanied by more chaos, with wrong signals conveyed to producers and consumers, and with wrong guidance given where the direction for the deployment of resources is concerned. A wrong signal involving the whole economy is the negative interest rate arising from

the interest rate being lower than the increase in commodity prices. It covers up low-efficiency operations and helps toward a waste of resources in short supply. It also brings about an irrational redistribution of wealth. The worries and unease caused to those people making an honest living through labor are conceivable, as they watch their savings of many years depreciate in value.

Last year, there were several pieces of good news appearing for the first time in the development of our economy. For instance, the gross national product broke through for the first time the mark of 1,000 billion yuan. Non-agricultural output value in the countryside for the first time exceeded agricultural output value. Also, for the first time in many years, there appeared such new conditions as unity of growth and stability, mutual stimulation between thriving microeconomic activity and macroeconomic control, and so forth. But there appeared bad things for the first time in many years. For example, the actual per capita living standard in the urban areas of Heilongjiang Province last year showed a drop of 4 percent. This was the first drop witnessed in 8 years from 1979 to 1986—after an average annual growth rate of 7.3 percent of the actual living standard. As far as the national average is concerned, according to a bulletin by the State Statistical Bureau, urban surveys conducted by three municipalities directly under the central government and by the capitals of various provinces of the country showed that the number of households suffering from a drop in actual income purely because of a increase in commodity prices accounted for 21 percent of the total surveyed. Despite this, we must not make a big issue of it. Yet the appearance of the phenomenon for the first time in 9 years of a drop in the actual level of income of urban residents over a wide area solely because of a increase in commodity prices is an important signal that cannot be overlooked. The above phenomenon is likely to continue developing to reach a stage that we do not care to see.

The practice of granting subsidies on given portions of several kinds of products is a positive and practicable way. But food subsidies can after all only make up for the increase in the prices of a number of products. If the inflation rate is relatively high, with a relatively small variety of subsidized products, then it is difficult to stop a decline in the actual level of income. Meanwhile, such subsidies partake of an egalitarian nature running counter to the direction of reform. They therefore can only represent an expediency. If we are to stop the decline in residents' level of income and also avoid egalitarianism, then we may appropriately link wage income with the index of all costs of living. But international experience shows that a linkup with an overall index often gives increase to a increase in wages and prices by turns. This seems to be a risky exercise. Moreover, this does not help solve the problem of residents protecting the value of their savings. Given inflation, the lost value of hard-earned money saved up by workers, if put to use by public-owned enterprises through banks, may be justified. The same may be said

of cases like imposing forced savings to accumulate funds for national construction. But if this kind of money is lent to Chinese and foreign private operators to make more money, then this is undoubtedly an act of theft as denounced by British scholar Roberson. (What is stressed here only refers to the phenomenon of irrational redistribution of wealth given inflation and does not in the least mean a negation of the great significance of Chinese and foreign private capital in the economic development of our country in its present stage.) All these are likely to bring social disorder and tarnish the image of reform. Therefore, to create a relatively good economic environment and social environment for reform, we must also cope with inflation.

#### Drop the Idea of Inflation Benefiting the Economy [subhead]

In curing the disease of inflation, we must, first of all, solve the problem of ideas. In the past few years, theory circles have introduced many useful theoretical concepts and ways of analysis from Western economics in the development of our commodity economy and social production. But, at the same time, mixed with them are some things not suited for our country. For instance, rather popular are certain policies and ideas put forward by Keynes with an eye to inadequacy of effective demand in the West; the idea that developing countries can introduce forced savings through inflation to accumulate funds; and also the idea that a budget deficit is harmless and that inflation is beneficial, and so forth. Apart from these obvious ideas, there are also some that are not so obvious. But objectively there are also some theoretical ideas paving the way for the introduction of a policy of inflation in our country. Such ideas are not cited here, one by one. I am not quite in agreement with viewpoints of this kind. Is inflation—even if temperate—after all beneficial or harmful to economic development? This is not purely a problem of theory. It is, first of all, a problem of proof. As mentioned above, from a short-term point of view, where there are idle resources and idle production capacity, the introduction of a budget deficit and inflation can really have the effect of stimulating economic growth. But where there is a shortage of resources and effective demand is excessive, especially from a long-term point of view, inflation can only cause a sustained price increase. There are 100 disadvantages without a single advantage to speak of.

Economist (wu-si) [0124 2448] (jiang-he-po-tong) [3068 0735 3789 0681] Marshall of Vanderbilt University studied the cause and effect relations between inflation and economic growth from 1950 to 1980 in 56 countries and regions, of them 19 industrialized countries and regions and 37 developing countries and regions. Research results show that of industrialized countries and regions, no one case supported the conclusion that inflation has a stimulating effect on economic growth. Moreover, in nine countries and regions (Australia, Austria, Canada, West Germany, Italy, Spain, Switzerland, Sweden, and Britain), there appeared the relations

of negative correlations. This means that the higher the inflation rate the lower is the rate of economic growth. Of 37 developing countries and regions, only two cases (Egypt and Uruguay) supported the conclusion that inflation has a stimulating effect on economic growth. By contrast, there were seven cases involving the relations of negative correlations.

Jiang Shijie, an academician of the Taiwan China Economic Research Institute, studied statistical data on the inflation rates and actual GNP growth rates of 22 developing countries in two decades (1961-1970 and 1971-1980). He discovered that there were some little positive correlations between the rates of GNP growth and the rates of growth of money supply in the first decade. But by the next decade, there appeared negative correlations. Moreover, some little positive correlations in the first decade seemed to be entirely the result of the experiences peculiar to South Korea. If we exclude South Korea from the list and just use the remaining 21 countries in the first period as the basis for a further regression analysis, then these weak positive correlations will be reduced to zero. Research "results showed that even in the first decade (1961-1970), an increase in the rate of price inflation also could not have any obvious positive stimulating effect on growth actually obtained. By the second decade (1971-1980), an increase in the rate of currency inflation showed an obstructive negative effect on the rate of growth actually obtained. Therefore, interchangeability between inflation and quick economic growth is impossible. On the contrary, sustained inflation seemingly would only hamper economic growth." (See the book "Revelations On Taiwan's Economic Development")

This is a conclusion drawn from large hosts of research data. From a long-term point of view, is it quite clear as to whether inflation is conducive or harmful to economic development?

#### Several Supplementary Suggestions [subhead]

In light of the commodity price situation in the past few years, the state has taken a series of measures that link things together. These guidelines or measures are quite correct and should be resolutely carried out. To solve the problem of a sustained increase in the inflationary general price level, I further put forward several supplementary suggestions.

1. We must combine revenue and taxation reforms with the classification of the financial budget into a budget for regular receipts and expenditures and a budget for capital receipts and payments. A budget for regular receipts and expenditures should be balanced, with no red ink allowed. The budget for capital receipts and payments may be allowed to slip into the red. But the deficit cannot be allowed to be covered automatically by bank overdrafts. Instead, there should be a bond issue to meet the deficit.



2. We must raise the bank deposit interest rate, so that it can be higher than the rate of price inflation. This is to repress demand, promote efficiency, encourage savings, and strengthen accumulation.

3. We must deepen relevant reforms selectively. Those reform measures that call for the spending of a relatively large amount of money and are likely to stimulate increased demand and exacerbate the tight market situation must be treated with prudence in their introduction. Those that help in increasing economic results, in improving the supply mix, and in withdrawing surplus money from circulation may be introduced as early as possible. For example, we may quicken the implementation of measures on selling old housing to occupants in the housing reform and the implementation of measures about selling shares and stocks to workers and residents in the enterprise reform. These measures help in tightening money supply and turning consumption spending into an accumulation.

4. We must have a plan for the increase of commodity prices, so that we can consider and control it over a relatively long period of time. For example we may strive to reduce gradually within three years an inflationary price increase from 4 to 3 percent. This is to leave room for a rational price increase in the price reform to straighten out prices.

Curing inflation often brings certain short spells of headache. Failure to find a cure would bring a long headache spell that harms the whole economic organism. Short headache spells are preferable to a long spell. The problem is a matter of choice.

**More Enterprises Try Out Shareholding System**  
OW0505141788 Beijing XINHUA in English  
0641 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA) — A total of 6,000 state-owned enterprises are now trying out a shareholder system on a trial basis, the overseas edition of today's "PEOPLE'S DAILY" said.

The practice at first was restricted to collectively-owned Chinese enterprises but it has now become an option in urban economic reform and in developing a commodity economy.

It received wide recognition last November when the country's largest enterprise owned by shareholders was launched in Chongqing, Sichuan Province.

Acceptance is far from universal, however.

Some leading economists such as Tong Dalin, Li Yining and Jiang Yiwei support it.

But others question its application in a socialist economy and urge caution in embracing the concept, arguing that the shareholding system requires a comprehensive market system and establishment of stock markets.

The critics also contend employees in enterprises are not rich enough to buy sizable shares of enterprises.

They say the contracted managerial responsibility system remains the keynote of reform in state-run enterprises, especially large ones.

**Iron, Steel Production Exceed Quotas**  
OW0505121688 Beijing XINHUA in English  
0757 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA) — China's iron and steel production in the first quarter exceeded quotas set out in the 1988 plan, the Metallurgical Industry Ministry reported today.

Steel output was 19.8 million tons, 9.9 percent more than the same period last year, while pig iron production totalled 18.75 million tons, up 8.2 percent.

Production of plate steel was 300,000 tons and large rolled steel, 350,000 tons more than the figure of the same period of last year.

One third of the national output was produced by the four giant plants — Anshan Iron and Steel Company, Wuhan Iron and Steel Company, Capital Iron and Steel Company and Baoshan Iron and Steel Complex.

Local medium-sized and small enterprises accounted for 23 per cent of the output.

**Vice Minister Notes Farm Machinery Increase**  
OW0505191288 Beijing XINHUA in English  
1226 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA) — China had 6.18 million tractors by the end of 1987, an increase of 14 percent over the previous years, Vice-Minister of Agriculture Chen Yaobang said here today.

Speaking at a news brief said, farmers spent nearly 8.5 billion yuan on farm machinery in 1987, 18 percent more than

China's farm machinery in 1987 had a total capacity of 249 million kilowatts, doubling the 1979 figure, Chen said.

The vice-minister attributed the rapid increases in the use of farm machinery to the country's ongoing rural reform.

In 1987, Chen said, 41.8 million hectares of farmland were ploughed by machines. In the same year, machinery was used to sow over 15.56 million hectares of land, and harvest 6.53 million hectares of crops.

However, the vice-minister pointed out that about one-fourth of the country's tractors are already obsolete and inefficient, consuming an additional 500,000 tons of fuel annually.

He said the diesel supply for farm production can not keep pace with the increased use of farm machinery, thus adversely affecting farmers' efforts to use such equipment.

The vice-minister urged relevant departments to work out appropriate regulations for encouraging farmers to use machinery and ensuring the supply of fuels for farm production.

**Parents, Teachers Urged To Understand Children**  
*OW0605082988 Beijing XINHUA in English*  
0602 GMT 6 May 88

[Text] Beijing, May 6 (XINHUA) — Parents and teachers in China were told to protect, respect children and educate them using proper methods, according to today's "CHINA DAILY."

Hu Dehua, deputy director of the National Coordination Committee on Children's Work, said yesterday that owing to improper methods of family and school teaching, some "unhappy things" had happened recently.

The official called on parents and teachers to understand children and help them improve their study, health, and thought.

"Teaching children is a scientific subject," she said. "Both spoiling and ill-treatment are not the ways to respect children. We hope parents, teachers, and all the older generation will act as children's friends."

"Some parents pay too much attention to children's material life. They buy whatever their child wants but don't care what the child is thinking about and what kind of love he needs," she said.

"Some, on the other hand, force the child just to study. They put much pressure on their child by saying 'study is the only way out; going to college is the only way out.' Some parents often beat their children for poor school performance. And children are very nervous when they get poor exam results, some have even committed suicide," Hu said.

According to the "LIAONING DAILY", in Dalian City, Liaoning Province, a father beat his 14-year-old son to death when he caught the boy missing school on March 7.

Late last year, in Qinghai Province, a mother beat her son to death because the son did not tell her his real scores at school, and later, the mother committed suicide in a prison.

These tragedies of the past few months have not only brought sadness to the children's families but have also made a very bad impression on society, Hu said.

**Professional Titles for Intellectuals Debated**  
*OW0505152888 Beijing XINHUA in English*  
0537 GMT 5 May 88

[Text] Beijing, May 5 (XINHUA) — Articles recently carried by the intellectually-oriented GUANGMING DAILY on the conferment of professional titles have aroused heated debates among Chinese intellectuals.

The professional title, the main indication of an intellectual's professional level, is translated into a pay rise and housing expansion. Therefore, it is a matter of great concern to intellectuals nationwide, who are mostly overworked, living on modest salaries and in cramped homes.

Unfortunately, the government has to put a ceiling on the numbers of teachers who may be awarded corresponding titles because of the country's poor financial situation, said Bai Shouyi, a famous historian and a member of the Standing Committee of the Seventh National People's Congress.

The restriction on the number of teachers who can acquire professional titles has caused bitter fighting among teachers, which, if not well handled, could lead to friendly colleagues becoming foes, said Zhang Zhongjun, professor at Fudan University in Shanghai.

As for the criteria used in the granting of professional titles, people aired a variety of views which were carried in the national newspaper.

For instance, according to the current practice, a teacher must submit his academic thesis to his school's title-appraisal group before he is awarded a title.

Bai Shouyi said this dogmatic practice must be changed. Some teachers give excellent lectures, he said, but are not so good at writing academic papers. "Can you say they are not worth a title?" Asked the professor of history.

"Leaders must seek truth from the facts because the thinking mode in teaching is quite different from writing," he said.

#### **Correction to Li Peng Appoints State Officials**

The following corrections pertain to the item headlined "Li Peng Appoints State Officials 3 May," published in the 5 May China DAILY REPORT, pages 10-11: page 10, column two, paragraph sixteen, line two: ...Zhang Ziyao and Fu Limin.... (correcting name F Limin) page 11, column one, paragraph six, line two: ...Li Jinhua and Zheng Li [6774 0500] (f.) .... (correcting name Zhengli and providing STC's)

### **East Region**

**Han Peixin at Jiangsu 4 May Movement Forum**  
*OW0505165688 Nanjing Jiangsu Provincial Service*  
*in Mandarin 2200 GMT 3 May 88*

[Summary From Poor Reception] The provincial CYL Committee held a forum at (Baiyun) Hotel in Nanjing on the afternoon of 3 May to commemorate the 4 May Movement. Provincial leaders Han Peixin, Sun Jiazheng, Gu Hao, Zhou Ze, Li Zhizhong, Chen Zonglie, (Huang Keming), and Miao Guoliang attended the forum.

**Jiangxi Commentary Stresses Party Discipline**  
*OW0505120688 Nanchang Jiangxi Provincial*  
*Service in Mandarin 1000 GMT 22 Apr 88*

[Station commentary: "Deepen Reform, Strengthen Discipline"]

[Text] In accordance with the Central Discipline Inspection Commission's instructions, the fourth enlarged plenary meeting of the Discipline Inspection Commission of the Jiangxi Provincial CPC Committee that just concluded has tasked the vast number of party members in Jiangxi with enhancing their sense of discipline in the course of reform and opening up to the outside world. This is of great importance to achieving economic prosperity and revitalizing Jiangxi, and to ensuring honest and clean party and government organizations to implement the party's basic line in the initial stage of socialism.

Enforcement of party discipline is a prerequisite for ensuring the smooth implementation of the party's general line and policy of reform and opening up to the outside world. Without strict discipline inside the party, we cannot achieve a high degree of political unity among the large number of party members and their party organizations, and cannot successfully carry out the policy of reform and opening up to the outside world.

Furthermore, it is necessary to point out that along with the deepening of reform and opening up to the outside world and the development of the commodity economy, the decadent influence of capitalism and feudalism on the party will also increase. Unless party discipline is strengthened under these circumstances, some party members who fail to (?recognize) the situation of reform and opening up to the outside world may deviate from the correct path and commit wrongdoings. Therefore, the more reform deepens and the wider our doors open, the more necessary it is to strengthen party discipline. It is extremely erroneous to think that party discipline can be relaxed in the course of reform and opening up to the outside world.

To ensure and promote the smooth progress of reform and opening up to the outside world, it is necessary to correctly handle the relationship between enforcing discipline and implementing existing policies, and to combine the two. It is necessary to persist in everything that conforms with the party's policy of reform and opening up to the outside world and to recognize and protect anything that helps develop productive forces. In short, the concrete meaning of party discipline should be continuously enriched along with the experience we gain in the practice of reform and opening up to the outside world, and any outdated idea should be eliminated. Only by so doing can we ensure the continuity of the party's discipline and policies.

The sense of discipline should be enhanced in an innovative manner. To carry out the party's line, principles, and policies in a creative manner, and thus enable the policy of reform and opening up to the outside world to continuously surge ahead, party organizations and members should, first of all, be bold in making explorations and innovations. Sticking to old ways, being overcautious, or simply relying on higher authorities in solving every problem will lead us nowhere in reform and opening up to the outside world and ultimately only perpetuate economic backwardness.

However, displaying innovative spirit should not be divorced from observing a sense of discipline. Reform cannot be successful if the large number of party members do things their own way, and if they fail to comply with the Party Central Committee's principles and arrangements for reform and opening up to the outside world, to maintain the high standards of the party, and to judge everything according to party discipline and state law.

While boldly making explorations in reform, party members should integrate their innovative spirit with an increased sense of discipline; they should contribute to developing the economy and revitalizing Jiangxi with a strict sense of discipline and creativity.

**Radio Lands Shanghai Municipal Sessions**  
*OW0505140688 Shanghai City Service in Mandarin*  
*2200 GMT 30 Apr 88*

[Station commentary: "Hope Lies Ahead — Congratulating the Victorious Conclusion of the First Sessions of the Ninth Shanghai Municipal People's Congress and Seventh Shanghai Municipal CPPCC Committee"]

[Text] The First Sessions of the Ninth Shanghai Municipal People's Congress and Seventh Shanghai Municipal CPPCC Committee, which received the close attention of every citizen in Shanghai, came to victorious conclusions after completing their discussions on the various topics listed on the agendas. The fruitful results of these sessions add new splendor to our [words indistinct] 1 May International Labor Day.



We happily witnessed how these two sessions [words indistinct] were conferences which helped push forward reforms. They were also mobilization conferences aimed to vitalize Shanghai.

What made everyone most happy was [words indistinct]. During the meetings of the Municipal People's Congress, the principal candidates [words indistinct] were subjected to examination and questioning by the deputies. Elections for leading figures of the municipal People's Congress and government were all held with more candidates than positions available.

During the CPPCC Committee meetings, members [word indistinct] aired their views, indicating their strong desire to discuss the social situation in Shanghai and participate in its political and governmental affairs. All this vividly reflects the [words indistinct] social life of the people of Shanghai, giving it a more profound perspective and indicating the development of socialist democracy. It was a lively contribution to Shanghai [words indistinct] due to the policies of the CPC Central Committee.

The Shanghai of today is facing a rigorous challenge. On the one hand, we have achieved great successes through our efforts. On the other, we are faced with numerous difficulties and problems. At present, the broad masses of cadres and people in Shanghai must face up to hardship and not blame their problems on anybody but themselves. They must rise with force and spirit, work hard, and strive for Shanghai's prosperity.

Zhu Rongji, our new mayor, said at [word indistinct] the municipal People's Congress that we only need those [words indistinct] who are efficient and willing to sincerely serve the people. We believe that the new government will not let (?the people of Shanghai) down and (?work) together with one heart and one mind.

With the rays of spring shining across the land and hope lying ahead of us, the next 5 years will be a crucial period for the development and vitalization of Shanghai. No matter how difficult the task and how complex the situation, we will surely achieve our goal if we place reforms first, are realistic and refrain from empty talk, immerse ourselves in hard work, solve problems step by step, implement policies in one sector after another, and proceed with undaunted diligence.

[Words indistinct] and WEN HUI BAO published commentaries today, congratulating the successful conclusion of the First Sessions of the Ninth Shanghai Municipal People's Congress and Seventh Shanghai Municipal CPPCC Committee.

**Zhejiang Cracks Down on White Collar Crime**  
*OW0505201888 Beijing XINHUA in English*  
*0711 GMT 5 May 88*

[Text] Beijing, May 5 (XINHUA)—Zhejiang Province in eastern China is cracking down on white collar crime and crimes committed by public servants, today's overseas edition of the "PEOPLE'S DAILY" said.

Between January 1987 and March this year, procurators in the province prosecuted 1,857 economic crime cases, of which 40 percent involved office workers in state institutions and enterprises.

Most of the cases involving public servants were cases of graft and bribery, Geng Xiaoping, deputy procurator general of the provincial procuratorate, said.

There were also 81 cases of dereliction of duty involving public servants, including one official at county level.

### **Central-South Region**

**Reorganization of Guangdong Steel Firm Planned**  
*HK0605072488 Beijing CHINA DAILY in English*  
*6 May 88 p 2*

[By staff reporter]

[Text] Guangzhou—The involvement of two large corporations in Sino Master Steel Ltd, a pioneering steel manufacturer in Shekou Industrial Zone of Shenzhen, is expected to help solve the problems which have hampered the steel manufacturing company since it was set up in 1983.

The Guangdong Provincial Economic and Technological Development Corporation and the Guangdong International Trust and Investment Corporation's Shenzhen branch signed an agreement with the China Merchants Holdings Company Ltd of Hong Kong last week to reorganize the \$950 million steelworks. It is the only steelworks in any of China's four special economic zones.

First put into operation in 1983, Sino Master was formerly a joint venture with investments from the China Merchants, the Shanghai Metallurgical Bureau and a Hong Kong company. But poor management and over-dependence on imports prevented it from conducting normal production.

The steelworks, with an annual capacity of 150,000 tons of steel, only turned out some 30,000 tons a year, CHINA DAILY was told.

Zhou Huaiming, general manager of the venture, said that the steel shortage has long been a major problem hindering Guangdong's Economic development. The establishment of the steelworks was expected to ease the shortage. But according to Zhou, Guangdong still has to import more than 300,000 tons of steel a year.

## Hainan Delegation Pays Visit to Hong Kong

### Yao Wenxu Sees Group Off

HK0505104188 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 4 May 88

[Text] A delegation from Hainan Province, with Xu Shijie as an adviser and Liang Xiang as leader, left for Hong Kong from Haikou airport this morning. They were invited by the committee preparing to mark the founding of Hainan Province. The committee was organized by Hong Kong compatriots originally from Hainan and the Hong Kong branch of XINHUA. The delegation was seen off at the airport by (Liu Jianfeng), Yao Wenxu, (Zhao Fuming), (Liao Fenmu), and Meng Qingping, leading comrades of the provincial party committee and provincial government.

In an interview with reporters, Comrade Liang Xiang said: This is the first time that we have organized a delegation to visit Hong Kong since the founding of Hainan Province. The delegation will work in Hong Kong for 10 days. In addition to participating in all kinds of celebrations, the delegation will also attend an academic seminar on Hainan economic problems. At the seminar, which is organized by the Hong Kong branch of XINHUA, various circles in Hong Kong will be briefed on the special policies accorded Hainan by the central authorities. This will allow people from various circles in Hong Kong to deepen their understanding of our province, strengthen cooperation with us, and speed up the development and construction of Hainan.

### Press Briefing Held

OW0605082388 Beijing XINHUA Domestic Service  
in Chinese 1511 GMT 6 May 88

[Text] Hong Kong, 5 May (XINHUA)—Liang Xiang, principal official of the Hainan Provincial Government and head of the Hainan provincial delegation, said here today that the current focus of economic work in Hainan Province is the improvement of the investment environment and to speed up transportation, water supply, electricity, communications, and other infrastructural construction. These are necessary to lay solid foundations for Hainan's future economic development.

Liang Xiang made this statement at a briefing. He said: While improving the investment climate, we will also invigorate agriculture and increase per capita income in rural Hainan. We will focus on petrochemistry, mineral exploitation, processing of tropical cash crops, and aquaculture in processing and assembling materials supplied by foreign firms and conducting compensatory trade with foreign countries.

At the press briefing, Xu Shijie, secretary of the Hainan Provincial CPC Working Committee and adviser to the Hainan provincial delegation, noted: The special policies to be implemented in Hainan have already been published, and can largely be characterized by the following:

1) the entry and exit of capital, goods, and personnel in Hainan is free; 2) Hainan practices the economic system of market regulation; 3) land utilization in Hainan is transferable with compensation for as long as 70 years, and land can be contracted for development or transferred; and 4) foreign businessmen can set up Sino-foreign joint and cooperative equity ventures or enterprises solely funded by foreign capital, as well as purchase enterprises and shares and lease airports, mines, railways, and ports.

Xu Shijie said: The characteristics of these policies, which are different from those implemented in other special economic zones, are the great assets of Hainan. Xu Shijie and Liang Xiang also gave a brief account of current foreign investment in Hainan.

So far, foreign investment in Hainan totals U.S.\$110 million or 120 million yuan. In addition, projects totaling U.S.\$4 billion are under negotiation.

## Paper Publishes 'First' Part of Hainan Series

### Background Detailed

HK0605032788 Hong Kong HONGKONG STANDARD  
in English 5 May 88 p 11

[One of three articles in first of three-part series by Fan Cheuk-wan: "Rumours Abound on the Way Backwater Became Part of Beijing's Master Plan"]

[Text] For many years it seemed as if Hainan was a forgotten corner of China. A sleepy island better known by travellers in Southeast Asia than on the mainland itself.

Now, all of a sudden, it's woken up and become a hive of activity. How and why this happened is still very much of a mystery.

There are several stories making the rounds. It is difficult to verify any one of them.

First there's the tale of the unnamed Hong Kong tycoon who last summer suggested to China's number one here, Mr Xu Jiataun, that Hainan had promising development potentials and should be upgraded to be province. It was then part of Guangdong Province.

This unknown but influential figure was said to have impressed Mr Xu by comparing Hainan to China's biggest island, Taiwan, with respect to its rich natural resources.

An enthusiastic Mr Xu then allegedly took the proposal to reform-minded leaders in Beijing. Shortly before the 22nd session of the standing committee of the sixth National People's Congress last August, rumours about Mr Xu's lobbying activities on the Hainan issue spread.

Nobody knows for sure what Mr Xu did. But the proposal to upgrade the status of Hainan Island was eventually submitted by the State Council at the NPC standing committee meeting.

Very soon there are persistent rumours that Mr Xu would become the first governor of the Hainan Province.

According to another story, party boss Zhao Ziyang was rushing back to Beijing for the 13th Congress after a tour of the special economic zone. Accompanying him was ex-Guangzhou party secretary Xu Shijie.

Mr Xu, according to this tale, sold the Hainan idea to Mr Zhao and, in the two-hour flight, sketched out the master plan. The plan was unveiled soon after — at the 13th Congress itself.

A third story credits PLA veteran Wang Zhen, 80, with the Hainan idea. A close associate of paramount leader Deng Xiaoping, he is said to be a regular visitor to the island.

A staunch support of the open-door policy and evidently highly impressed by the success of the special economic zones, he is said to have pressed Shenzhen mayor, Liang Xiang, for a blueprint on Hainan.

So the story goes, Mr Liang made a 10-day study tour of Hainan and delivered a report to Mr Wang in late 1986. The report was said to have been recommended by the veteran leader to Premier Zhao, who later proposed setting up the province at the State Council.

Mr Liang said earlier that he received a sudden phone call from the central government last September asking him to go to Beijing to prepare for the birth of the province. He is Hainan's governor-designate.

#### 'Special Status' Analyzed

HK0605052788 Hong Kong HONGKONG STANDARD  
in English 5 May 88 p 11

[One of three articles in first of three-part series by Fan Cheuk-wan: "Special Problem in Hainan's Bid for 'Four Dragon' Status"]

[Text] Foreign investors are going to have trouble analysing just how "special" Hainan Province is, compared to other "special economic zones [SEZ]" in China.

Details of Hainan's "special status" were spelt out by the State Council yesterday. They appear to be little different from the incentives already offered by the special economic zones of Shenzhen, Zhuhai, Xiamen and Shantou.

And the five-year tax holiday concession is a mere half of what Singapore offers for pioneer investments it wants to attract.

The State Council's announcement coincided with the arrival in Hong Kong of a 13-man delegation to promote the island's attractions. It is led by governor-designate, Mr Liang Xiang, and Mr Xu Shijie. Both are on the Hainan Province preparatory committee.

Mr Liang has been stressing the "three freedoms". These are the free flow of currency, goods and people. With these, the new province hopes to make it to the ranks of the "four dragons" or "Asian NICs" — the newly-industrialised "countries" of Hong Kong, South Korea, Taiwan and Singapore.

But the problem is that Hainan's privileges only offer marginal differences in investment incentives compared to the other special economic zones.

Investors in Hainan are allowed to retain their foreign income and to borrow and lend foreign currencies through the foreign exchange regulating centre. They are also allowed to take foreign currencies outside Hainan without having to pay tax on them.

But investors have been enjoying these benefits in other economic zones since 1986.

Preferential taxation in Hainan is also little different from other economic zones. The only difference is the five-year tax holiday for hi-tech and newly developed industries.

This simply fails to match Singapore's 10-year tax holiday granted to pioneer projects the country urgently needs.

Hainan will have the privilege of simplified entry and exit for overseas investors. Foreign passport holders will be allowed to enter the island by showing their passports at the border checkpoint.

But is this what investors come for? The other economic zones have also beefed up their incentives. And they have the added advantage of utilising the road-rail system for access through Hong Kong.

With the exception of Shantou, foreign investments in the other zones have fallen. To meet the challenge, the zones have cobbled together packages which will provide greater incentives like more liberal bank credits, lower taxes, drastic cuts in land-use fees and the freedom to raise funds by issuing shares and bonds.

Shenzhen has floated bank interest rates to let them play their regulating role in economic activities since last year.

Under the great threat of the equally special policies in other SEZs, Hainan cannot get strong financial support from the central government.



When the architect of China's market-oriented reforms, Mr Deng Xiaoping, pushed through the open door policy eight years ago, the government invested heavily in Shenzhen, averaging more than 500 million yuan annually in the first four years. More funds have been made available every year since.

Hainan will be getting only 200 million yuan annually from the central government to build an infrastructure almost from scratch.

The high degree of economic autonomy in Hainan is nothing special in China either. As the State Council has permitted Shenzhen and Xiamen to enjoy provincial status in state planning, these two zones in reality enjoy similar autonomy in planning their economic development.

Perhaps, the only special element of Hainan will be its unusually huge size—it is more than 100 times the size of Shenzhen.

#### Experts Outline Model

HK0605033788 Hong Kong HONGKONG STANDARD  
in English 5 May 88 p 11

[One of three articles in first of three-part series by Fan Cheuk-wan: "Island Should Follow Hong Kong Model: Experts"]

[Text] Hainan's success must be predicated on a Hong Kong-type of economic system, say two Chinese experts. Otherwise it will be no different from other special economic zones in China.

He Xiaofeng and Feng Bangyan are economists who have made the study of Hainan's development their speciality.

"A market economy will be introduced in Hainan. But the guidance will come from the central government. This means central planning will still govern the island's economic activities," says Mr He, lecturer with the economics department of Beijing University and analyst at the Beijing-funded South-east Economic Information Centre in Hong Kong.

According to Mr Feng, who is also with the centre and is an economics lecturer at Jinan University in Guangzhou: "Unless a laissez-faire system is introduced in Hainan, there will be no big difference between investing on the island and in other special economic zones."

Both men belong to the liberal school of thought in the think-tank of party chief Zhao Ziyang. Both believe Hainan should simply be allowed to go capitalist.

Thus they are critical about the half-measures adopted for the island.

Mr He said it will be just another Shenzhen, not exactly what the preparatory committee of Hainan requires in order to achieve the economic miracle Beijing hopes for.

"Exports of the island must be restricted to the quota allocated by the state. Development directors of the island will thus be affected by the state plan. That's part of central planning," said Mr He.

The promised free flow of currency in Hainan would be confined to the currency exchange among enterprises but exchange between individuals and enterprises would be forbidden, he added.

Mr He pointed out that this degree of free currency exchange was no different from that of the other zones.

"Currency exchange must be done through a foreign exchange regulating centre, like in Shenzhen and other open regions. If foreign investors want to get back their profits in foreign currencies after receiving renminbi, they do it through the centre.

"But there is no guarantee that they will have a satisfactory exchange since the exchange rates will fluctuate through market mechanism," he said.

Mr He suggested the best way to solve the currency confusion problem was to issue an independent currency for Hainan. But he added the new province could not afford this due to insufficient foreign currency reserves at present.

Mr Feng said the original idea of the central government was to experiment with a totally different economic system in Hainan. It was felt that a capitalist market economy would be a meaningful experiment on the island.

Mr Feng believes the Hainan government should totally divorce itself from central government institutions.

"The current policies just go a small step further than Shenzhen. It is difficult to say how Hainan will be more special or successful than Shenzhen.

"There are still debates within the government on the directions of Hainan's future development. The final policies will depend on the choice of the government to develop Hainan into a Shenzhen-type of SEZ or to turn it into another Hong Kong," said Mr Feng.

#### Paper Publishes 'Second' Part of Hainan Series

##### Comparison to Taiwan Made

HK0605054188 Hong Kong HONGKONG STANDARD  
in English 6 May 88 p 11

[One of three articles in second of three-part series by Fan Cheuk-wan: "Taiwan a Blueprint for Hainan's Development"]

[Text] Chinese leaders have high hopes for Hainan, the second largest island in China. They want to make of it what the Kuomintang have made of the largest island—Taiwan.

Whether out of admiration or jealousy, they are earnest about making a success of Hainan. And that is what Hainan has going for it.

It represents a bold departure from policies elsewhere on the mainland. In this respect development of Hainan must be seen as more of a political than an economic move.

Hainan has always been a treasure island of sorts to China. It is far richer in natural resources than Taiwan. Its size and physical features are not much different from the Kuomintang fortress.

The Kuomintang are only too well aware of the thinking behind the development of Hainan. Before he died early this year, President Chiang Ching-kuo reminded the central committee of the Kuomintang to pay special attention to developments on Hainan.

He told them to study the influence of the future Hainan Province on Taiwan's economy and defence. The committee reacted by forming a special group to keep an eye on Hainan.

Beijing is also mindful of Taiwanese fears. Since the announcement last August of plans to make a new province out of Hainan and neighbouring island groups, it has played down Hainan's role in the reunification drive.

But it is clearly in the minds of Beijing's leaders to use Hainan to woo Taiwan by demonstrating its ability to make a success of an economically backward island far from Beijing's ken.

When the State Council submitted a proposal to make Hainan a province to the sixth NPC standing committee last August, Mr Cui Naifu, Minister of Civil Affairs, suggested "the new province would promote the reunification of the country."

Effusive about the glorious mission to compete with Taiwan, Mr Xu Shijie, the head of the preparatory committee for establishment of Hainan Province, told a press conference during the 13th Party Congress last year that his island would eventually catch up with Taiwan.

"We'll try to supersede Taiwan in a relatively short time and we are studying their measures," said Mr Xu.

According to the blueprint mapped out by Mr Liang Xiang, the deputy head of the preparatory committee, the province will improve its backward infrastructure in three to five years.

He hoped to boost the economy of Hainan to the level of China's developed regions by the end of this century.

By the first decade of the next century, Mr Liang, now governor-designate, expects the island will attain the economic level of present-day Taiwan. He is confident that Hainan will probably beat its Nationalist rival in mid-21st century.

To do this, Beijing wants to apply Taiwan's formula of success in their own laboratory, so they will copy the export-oriented development strategy.

In the early 1950s when the mainlanders set out to "tame" Taiwan, that island was as backward and agrarian as Hainan. Its development began with food processing and labour-intensive industries.

The newly announced policies for Hainan are therefore modelled on Taiwan's investment policies of that era.

Nearly all the old weapons used by the Taiwan government like tax benefits, business income-tax holiday and customs tariff exemption are to be applied in Hainan.

The development plan for Haikou, capital of the new province, is an exact copy of the export processing zones (EPZ) in Taiwan.

As with Taiwan's zones, Haikou will be a combination of free ports and industrial facilities with modern factory buildings, provincial government administrative offices, banking and shipping services.

In this bold adventure, Beijing's leaders are taking great risks. If the experiment fails they will stand discredited.

But this may not be a fair comparison, says Mr Lo Fan-tze, a local commentator on mainland affairs.

"The Chinese government wishes to match Hainan with Taiwan to prove that an economic miracle can also be fostered under the socialist system.

"The leaders want to demonstrate the feasibility of the 'one country, two systems' policy to Taiwan," he said.

Mr Lo said Hainan should not expect to catch up with Taiwan in a century, saying the gap between their economic strength was too great.

He cautioned Chinese leaders against chasing after Taiwan as it would have adverse effects on the internal development of Hainan.

"Blindly rushing towards the economic level of Taiwan will upset the balanced plan to develop the island steadily.

"Economic development of Taiwan will not be stagnant in the coming years. Although Hainan may make great progress in a few decades, it is impossible to beat Taiwan.

"Taiwan started industrialization as early as the Japanese colonial period. The present industrial base of Hainan is even worse than that in Taiwan during 1940s," he said.

Mr Lo said the success of Hainan should not be linked up with China's reunification drive since it would create much pressure on the island's development.

#### Possible 'Bridge' to Taiwan

HK0605055388 Hong Kong HONGKONG STANDARD  
in English 6 May 88 p 11

[One of three articles in second of three-part series by Fan Cheuk-wan: "Island May Be a Bridge Towards Change"]

[Text] Hainan Island is a natural staging point in mainland-Taiwan trade. That is what Beijing wants to exploit, and Hainan officials make no bones about it.

For the moment they hope to attract small and middle investors who are having a hard time trying to survive in Taiwan because of increasing pressure from the United States over trade imbalances.

In this, the Hainan authorities have also been helped by the growing pressure on the Taiwan government for a radical revision of policies towards the mainland following last year's lifting of the 38-year-old ban on travel to China.

Shrewd enough to promote people-to-people contact and indirect business exchange, Beijing leaders have seized upon this backward island as a possible "bridge" between the two undivided parts of China.

The Taipei government has remained adamant that there should be no direct mail, trade or transport. But this stand is being actively undermined by the increasing informal trade across the Taiwan Strait.

A number of surveys conducted by Taiwan newspapers in the past half a year have clearly shown that the government is still far behind the keen desire for closer ties and stronger investment links with the mainland.

Mr Lin Biquan, vice director of the Central Negotiation Group of the Hainan Economics Commission, told THE STANDARD the small and middle Taiwan capitalists were facing difficulties because of recent economic changes there.

"The United States forced the Taiwan government to increase the value of new Taiwan dollar which has weakened the competitive power of the small investors in the export trade," he said.

Statistics show that the exchange rate of the new Taiwan dollar to the U.S. dollar increased by 41 percent last year.

"Taiwan traders are looking desperately for investment opportunities elsewhere. Hainan will be an attractive alternative.

"Labour cost here is very cheap, even cheaper than Fujian and Guangdong. Land will be leased for up to 70 years. The rent is very low compared to other places in Asia," Mr Lin said.

Mr Lin said several Taiwan shoe factories had been set up in Haikou since last year.

"Shoemakers suffer a lot in the keen competition in Taiwan. Shoemaking is a declining industry there. But they are welcome in Hainan," he said.

The chairman of the Foreign Affairs Office, Mr Pan Yubing, told THE STANDARD about 20 delegations of Taiwan traders had been to Hainan to study the investment climate there.

"They show great interest in Hainan because our natural conditions are very similar to Taiwan. But they must take some time to consider the investment plans carefully," said Mr Pan.

The official believed more Taiwan traders would go to Hainan to make use of its cheap labour and rich natural resources.

Meanwhile, the local MING PAO DAILY reported on Monday that a group of Hainan traders had suggested setting up "Taiwan Export Processing Zones" and "Taiwan Investment Promoting Regions" in the new province.

The proposal was reportedly aimed at turning Hainan into a Sino-Taiwan trading centre and to promote direct trade across the strait.

#### Investor Interest Lacking

HK0605055988 Hong Kong HONGKONG STANDARD  
in English 6 May 88 p 11

[One of three articles in second of three-part series by Fan Cheuk-wan: "Investors Show Little Interest in Trading With Poorer Neighbors"]

[Text] Local pro-Taiwan businessmen have given a cool reception to the warm Beijing welcome for investments in Hainan. The preferential treatment promised them does not appear to have stirred any interest.

Even if they had any interest in trading with China, Hainan is just not the place for it, they say.



Mr Richard Tsing, representative of the Hong Kong branch office of Taiwan's Far East Trade Service Incorporation, told THE STANDARD Hainan could not play a key role in promoting the "three communications" — trade, mail and transport — until its infrastructure was improved.

He said trading activities of Taiwan merchants in Hainan would be very limited at its present stage of development.

"As far as I know, very few Taiwanese are eager to invest on the poor island. Infrastructure there is so backward that people would rather go to the mainland to trade," he said.

He stressed that trading relations between the mainland and Taiwan would not be done openly, as it was a matter of "face" for the Nationalist government.

For this reason, he criticised the proposal of setting up a Taiwan export processing region in Hainan as impractical.

"It will mean direct trade across the strait which will not be tolerated by the Taiwan government.

"So they will participate in the economic activities quietly during so-called home visit trips to China," he said.

Mr Tsing expected a breakthrough in the "three communications" after such "illegal" trade becomes more commonplace.

But he is not worried about the threat of Hainan to Taiwan's economy.

"Taiwan has taken 40 years to build up its present economy, although it is not impossible for Hainan to catch up with Taiwan's economic level," he said.

Managing director of the Taiwan Man Sang Products Limited, Mr Chuang Piao, is equally cool towards Beijing's lures.

"Our company hasn't worked out any investment plan in Hainan yet. We have no plans to invest there," said Mr Chuang without giving any reason.

Another pro-Taiwan businessman, Mr Lai Kwok-wai, does not believe there will be direct trade between the mainland and Taiwan within the next five years.

Mr Lai, general manager of Hong Kong Taiwan Products Exhibition and Development Centre Limited, said indirect trade would become more intensive in these few years.

"The Nationalist leaders will decide to lift the ban on indirect trading activities across the strait at the 13th Party Congress in July. But it will be confined to indirect trade conducted through a third country like Hong Kong," said Mr Lai.

He expects more frequent contacts between mainland and Taiwan traders in Hong Kong.

"Hong Kong, rather than Hainan, will become the centre of this kind of indirect trade," he said.

Although the Chinese leaders keenly encouraged Taiwan traders to go to Hainan, very few of them were interested in the island, he said.

"It is because of the poor infrastructure. My friends who are interested in China trade said they would rather go to invest in Fujian and Guangdong. They were disappointed after their tours to the island," he said.

There was a convenience of language in Fujian, Mr Lai explained, and the investment environment of Guangdong was much better than Hainan.

Mr Lai said the intention of Communist leaders to catch up with Taiwan was understandable, but he expected Hainan could not fulfil the goal within these few decades.

"We should not rush for reunification. When the economies on the mainland and Taiwan become more and more similar, we'll naturally have the social needs for joining together," said Mr Lai.

### North Region

**Shanxi Deputy's Criticism Provokes Dispute**  
*HK0605033088 Beijing CHINA DAILY*  
*in English 4 May 88 p 3*

[Text] A woman representative to the People's Congress in Shanxi Province criticized a government decision and put forward a proposal at a recent session.

But her speech was later criticized as "rumour" by the provincial education commission in an article carried on the front page of the province's official Party newspaper, SHANXI DAILY, but defended by another newspaper.

In a discussion with the municipal officials during the third session of the Eighth Taiyuan People's Congress convened at the end of March, Zhang Xiuyuan, a representative from the Wuyi Lu Elementary School, attacked what she said was a sudden decision that all elementary school graduates must take standard middle school entrance examinations before they are admitted. She said this would overburden the pupils.

Middle school entrance examinations were canceled in the province in 1985 in order to reduce the burden on pupils. But a new decision by provincial and municipal education authorities in early March stipulated that elementary school graduates this year will have to take entrance examination in mid-June.

The decision was really a surprise to the unprepared teachers and pupils, Zhang said. She said the time was too limited for them to make necessary shifts to meet the requirements of the new test.

Within two months, pupils would have to review 10 textbooks and they also would have to take an extra test on geography.

"Will the pupils be relieved of burdens or rather will they be overburdened?" Zhang asked. She said she put forward the interrogation on the basis of her careful investigations among some teachers.

Zhang's opinion was taken seriously by Wan Shiliang, acting mayor of Taiyuan city, who instructed the municipal education commission to make any necessary changes. A deputy director of the municipal education commission said that he proved that what Zhang said was true.

Zhang's criticism and municipal officials' response were widely covered on April 1 by the local news media, which hailed the case as an example of democracy. Yet, SHANXI DAILY published an article on April 8, saying what Zhang had said was sheer rumour. It said that the provincial education commission had not demanded such a standard examination. On April 11, SHANXI EDUCATION, a newspaper run by the provincial education commission, published a similar article.

The article in SHANXI DAILY was signed as "staff reporter," but it was actually written by an official of the provincial education commission, according to the newspaper WOMEN OF CHINA [ZHONGGUO FUNU]. The scandal of a government department infringing upon the democratic right of a People's Congress representative has caused indignation among the local People's Congress representatives and given rise to a public clamour, WOMEN OF CHINA said.

WOMEN OF CHINA, which is run by the All-China Women's Federation based in Beijing, published on its front page on Monday an in-depth report about the incident with a commentary attached and an interview with the chairman of Taiyuan Municipal People's Congress. The interview was entitled "Scandal Seldom Heard of, Serious Violation of Law."

The investigation by WOMEN OF CHINA made on April 29 revealed that a deputy editor in chief of SHANXI DAILY and the editor in chief of SHANXI EDUCATION acknowledged that they were not very clear about the whole story until April 29.

When Wang Maolin, deputy secretary of the provincial Party committee, was informed of the incident on April 28, he instructed the case be properly handled and apology should be made to Zhang Xiuyuan within two days. A deputy director of Taiyuan municipal education commission, therefore, went to see Zhang on April 29 and willingly undertook all blame. But WOMEN OF CHINA said the question was not that simple.

Gu Wenbo, chairman of the Taiyuan People's Congress, said it was rather a rare case for a government department to write an article in the newspaper, calling a representative's speech a rumour. "It is a serious violation of the Constitution," he said.

Zhang has the legitimate right of a representative in participating in governmental work. The Taiyuan Municipal People's Congress has submitted the requirement to the National People's Congress and its chairman Wan Li.

In an attached commentary, WOMEN OF CHINA said those who do not let other people express views are not real Communists, and that in a country like China, where officials have all the say, there are too few such people like Zhang instead of too many.

### Northwest Region

**Shaanxi Provincial Party Congress Meets**  
HK0505103188 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 3 May 88

[Text] The Seventh Shaanxi Provincial CPC Congress held a meeting yesterday afternoon. The executive chairmen of yesterday's meeting were (Li Zhikang), (Li Denggui), and Mao Shengxian. Dong Jichang presided over the meeting.

Alternate members for a new term of the Provincial Party Committee were elected by secret ballot.

**Presidium Meets**  
HK0505101588 Xian Shaanxi Provincial Service  
in Mandarin 2330 GMT 3 May 88

[Text] The Presidium of the Seventh Shaanxi Provincial CPC Congress held its fourth meeting yesterday [3 May] morning. Comrade Zhang Boxing presided over the meeting.

First, a report was heard on the preliminary elections of members and alternate members for a new term of the provincial party committee as well as members for a new term of the provincial Discipline Inspection Commission. A list of candidates was approved for members and alternate members for a new term of the provincial party committee as was a list of candidates for members for a new term of the provincial Discipline Inspection Commission. This was done by holding elections with more

candidates than posts among all deputies to the congress. Approval was also given to a list of candidates for members for a new term of the provincial Advisory Commission.

The participants decided to ask all deputies to the congress to discuss the lists of candidates. A draft resolution adopted by the Seventh Shaanxi Provincial CPC Congress was approved. The resolution deals with a report on the work of the Sixth Shaanxi Provincial Party Committee. In addition, the delegates approved the draft resolution adopted by the Seventh Shaanxi Provincial CPC Congress on a report covering the work of the Provincial Advisory Commission. The same procedure was followed for the draft resolution adopted by the Seventh Shaanxi Provincial CPC Congress on a report detailing the work of the Provincial Discipline Inspection Commission. The meeting decided to submit the three draft resolutions to the plenary session of the congress for examination and approval.

The fifth meeting of the Presidium of the Seventh Shaanxi Provincial CPC Congress was held yesterday afternoon. During this session, Comrade Zhang Boxing delivered a report which dealt with discussions among all delegations on all candidates for members and alternate members for a new term of the Provincial Party Committee as well as all candidates for members for a new term of the Provincial Advisory Commission and the Provincial Discipline Inspection Commission. The participants then determined the lists of candidates for members and alternate members for a new term of the Provincial Party Committee. They also determined the lists of candidates for members for a new term of the Provincial Advisory Commission and the Provincial Discipline Inspection Commission. Those present decided to submit the four lists to the plenary session of the Congress for official approval.

#### **Reform Tasks Presented**

*HK0505110788 Xian Shaanxi Provincial Service  
in Mandarin 0400 GMT 3 May 88*

[Excerpts] Comrade Zhang Boxing discussed our province's rural reform in his report to the seventh provincial party congress. He said: The basic tasks of our rural reform and development, which are to be carried out between now and the end of this century, are: To guarantee sustained and steady growth in the peasants' income; to gradually reduce the differences between urban and rural incomes; to make a strategic target of attempts to reach the level where people are well off; to strengthen our agricultural foundations; to do everything possible to develop township and town enterprises; to perfect our industrial structures; to rationally allocate economic resources; to concentrate on developing a commodity economy in a planned way; to speed up the growth and development of the market system; to improve socialized (she hui hua) services; to perfect commodity management; and to enrich and develop new economic systems in our rural areas.

Comrade Zhang Boxing added: The fundamental way to resolve the grain issue lies in deepening reforms, promoting the production, circulation, and consumption of grain, as well as developing the commercialization of grain. In gradually increasing our self-development ability, we must stress the reform of the buying and selling system, which restrains production and stimulates consumption. We must also apply the law of value to regulate the relationship between grain production and grain consumption.

First, we must gradually reduce the buying and selling of grain at original prices and expand the buying and selling of grain at negotiated prices. In accordance with our financial conditions, we must gradually increase the purchase price of grain, reduce the difference between the grain bought and sold at original prices and that bought and sold at negotiated prices, and ensure that grain growers' income increases along with their input.

Second, regarding links in the grain sales, we must study ways to reform grain subsidies, and speed up the commercialization of grain management.

Third, we must persist in opening up grain markets year-round, and boost the distribution of grain.

Fourth, we must further readjust the policies toward major grain producing districts and mobilize their enthusiasm for promoting grain output.

Fifth, we must gradually readjust the food mix, energetically develop plant protein and plant-eating animals, properly discourage people from consuming those beverages and meat that take a great deal of grain to produce, and ensure that our food mix and the structure of resources are complementary.

Comrade Zhang Boxing continued: Successfully promoting diverse economic projects is the only way to enable vast numbers of peasants to become rich. [passage omitted]

Comrade Zhang Boxing stated: Regarding the system for distributing agricultural products, we must speed up reform of our state-run and cooperative commercial systems, impel them to break away from their monopoly position, and urge them to participate in market competition and to run their businesses as enterprises. [passage omitted]

In his report, Zhang Boxing also discussed conducting education in the party's basic line, saying: There are four points that summarize the major contents of and demands on education in the basic line.

First, we must fully understand our national conditions, deeply understand the theory of the initial stage of socialism, and fully understand the fact that our



country's current level of productive forces is still relatively low. This means that we must regard economic construction as the center and view the development of productive forces as our fundamental task.

Second, we must fully understand the objective need for reform and opening up, and deeply understand that developing productive forces is the criterion of every type of work. [passage omitted]

Third, we must fully understand the objective necessity of upholding the four cardinal principles, and allow the mass of party members to unswervingly advance along the road of socialism with Chinese characteristics in the course of promoting reform and opening up.

Fourth, we must fully understand the objective necessity of developing a commodity economy, clearly understand that our commodity economy should be developed in a planned way, conscientiously resist the negative influence caused by commodity economy as well as the corrosive influence on the organic body [ji ti] of the party, constantly strengthen the concept of serving the people among our party members and cadres, and conscientiously resist unhealthy trends. [passage omitted]

Turning to the separation of the functions of the party and the government, Zhang Boxing said: Party committees at all levels must persist in regarding economic construction as the center. Of course, this does not mean taking on the government's day-to-day work. This simply means that party committees are involved in formulating strategies for economic development, discussing and examining plans for development projects, studying major policies on economic development and economic reforms, and solving key problems in economic construction. [passage omitted]

Zhang Boxing added: Party committees must fully respect the powers and functions enjoyed and exercised by people's congresses. [passage omitted]

Zhang Boxing continued: Party committees must actively support efforts made by people's courts and procuratorates to independently exercise their functions and powers and to strictly go through the legal procedure for handling cases. They must no longer take a direct part in the concrete handling of cases. Party committees at all levels must give full play to the role of CPPCC committees as well as the role of all democratic parties, and continue to develop the united front. Party committees must support efforts made by various mass and social organizations to independently carry out their work in accordance with their own constitutions.

Comrade Zhang Boxing added: The organizational forms and work organs of our local party committees must be readjusted correspondingly. Leading organs and work organs under party committees must be small in

number but highly capable. Party organs with duties that correspond to those of the existing government departments must be gradually abolished. Leading party groups in government departments must be abolished in groups. Our party discipline inspection work must be separated from state judicial work as well as from government procuratorial work. Those organizations at the basic level, which are currently under the leadership of the party organizations within administrative departments of the higher level, will gradually be put under the leadership of local party committees.

#### **Zhang Boxing Named Secretary**

*OW0505122988 Beijing Domestic Service  
in Mandarin 0930 GMT 5 May 88*

[From the "National Hookup" program]

[Text] At the First Plenary Session of the Seventh Shaanxi Provincial CPC Committee held today, Zhang Boxing was elected secretary and Hou Zongbin, Dong Jichang, and (Mou Zhensheng) were elected deputy secretaries of the provincial party committee.

#### **Per Capita Income Rises in Rural Shaanxi**

*OW0505223588 Beijing XINHUA in English  
1515 GMT 5 May 88*

[Text] Xian, May 5 (XINHUA)—Rural industrialization has helped nearly one-third of the people in poverty-stricken areas in Shaanxi Province make ends meet, XINHUA learned today.

Over the past two years, over 1.7 million people, or 28 percent of population in such areas, have become able to earn enough to feed and clothe themselves, said provincial officials.

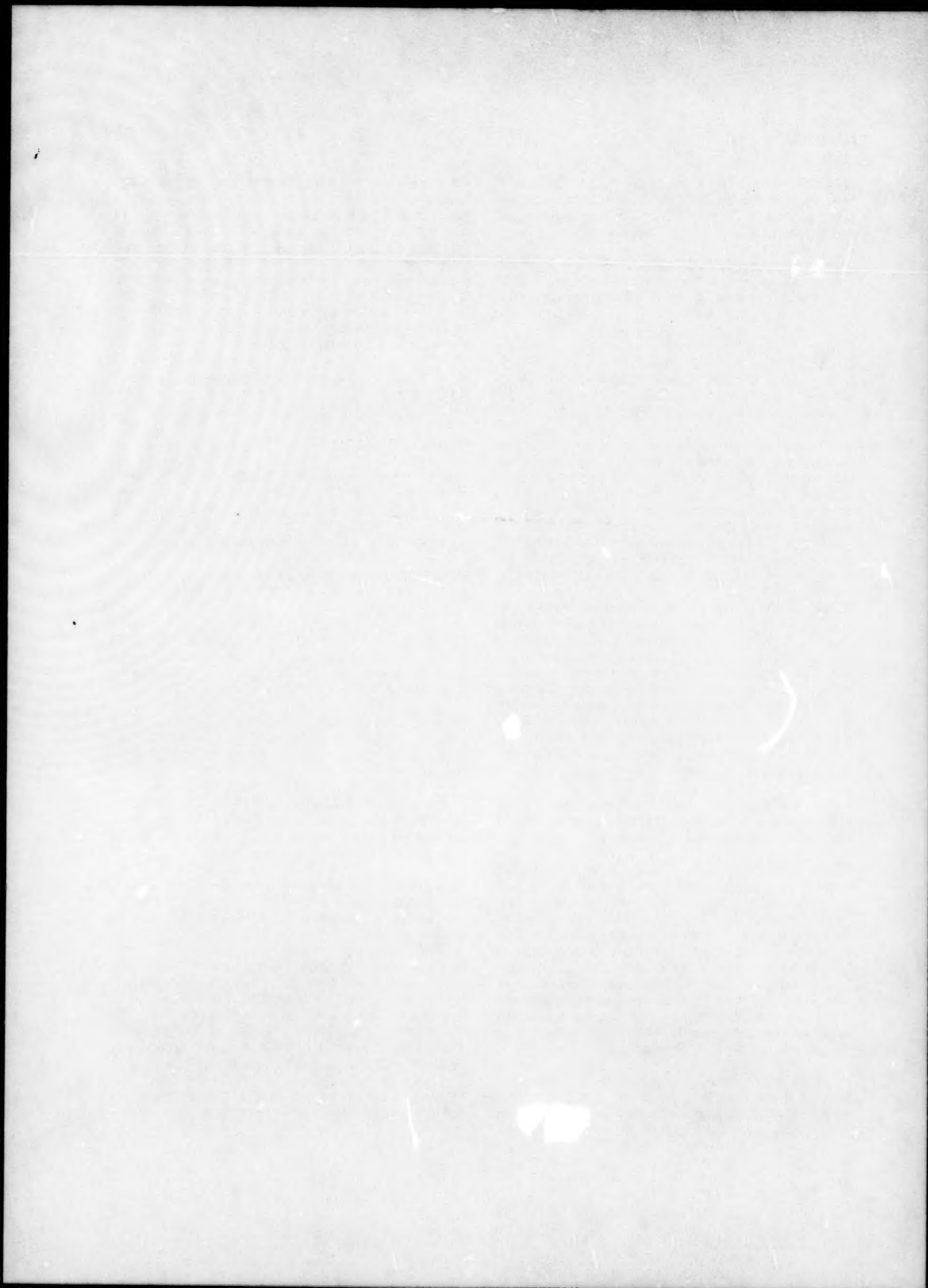
In this northwest China province, 69 counties are classified as poverty stricken, where the annual income for the rural population used to average no more than 200 yuan per person.

At the end of 1987, these counties had 260,000 village-run industrial enterprises which, employing a total of one million people, yielded 2.9 billion yuan in gross income that year.

In Fugu County in north Shaanxi, nearly half of the 42,000 families had been living below the poverty line before they were helped to start small coal mines. The county is in the heart of a newly-verified coal field.

The per capita income of local peasants reached 279 yuan last year, 157 yuan more than in 1985.

More than one-third of the 21,000 poverty-stricken families have become better-off, the provincial officials said.



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